
The battle of the batons
Page I


Mr 5 per cent between China and the world
Page IX


14-page UK & international property guide
Separate section


Yeltsin's challenge
Can he break the cycle of Russian history?
Page 10

FINANCIAL TIMES

Europe's Business Newspaper
WEEKEND SEPTEMBER 25/SEPTEMBER 26 1993

Union pressed to back Smith's plan for voting reform

The GMB general union is being pressed to abandon its opposition to Labour party leader John Smith's plans to reform Labour's links with Britain's trade unions. Party officials admitted that he might be defeated at next week's party conference without such a shift. Two-thirds of the constituency parties are reported to support Mr Smith's proposed one-member, one-vote system for the selection of parliamentary candidates. Page 26; Smith faces the big test, Page 8

Grand Metropolitan appointed George Bull, who was responsible for the growth of its IDV drinks operation, as chief executive instead of the long-time heir-apparent, Ian Martin, who led the $5.8bn acquisition of the US Pillsbury group. Page 26; Lex, Page 26

Clare Spottiswoode to head Ofgas

Former government economist Clare Spottiswoode will become director general of Ofgas, the UK gas industry watchdog, when Sir James McKinnon retires from the post in November. Her appointment was announced as Sir James said the break-up of British Gas he had demanded was no longer vitally important. What mattered was that competitors be allowed to supply gas to homes. Page 26; Breaking down the gas barriers, Page 6

Electricity service improves: The annual report on customer service by Britain's electricity industry regulator, Professor Stephen Littlechild, showed that electricity companies failed to meet his standards in only one out of every 1,053 cases. Page 6

Republics agree economic union: Ten of the 15 former Soviet republics signed a treaty of economic union after nearly two years of trying to manage as economically independent states. Page 2

Germany and US in aviation deal: Germany and the US agreed a bilateral aviation accord which will allow far-reaching collaboration between German airline Lufthansa and US carrier United Airlines. Page 3

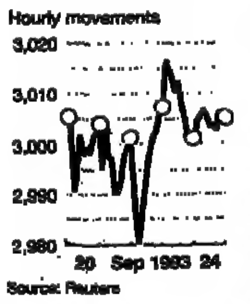
Call for company details: UK Companies should provide detailed information on their cash position in interim accounts, says the Institute of Chartered Accountants in England and Wales. Page 8

China issues Hong Kong threat: Chinese leader Deng Xiaoping's hitherto secret instructions to the Chinese leadership on Hong Kong were published. They include a threat to take over the colony before the agreed date of 1997. Page 4

Willis Corroon, UK insurance company, is to float off most of its US underwriting operations to allow the group to focus on broking, consultancy and risk management. Page 12; Lex, Page 26

Footsie ends week above 3,000 mark

FT-SE 100 Index



Source: Reuters

The week saw what must be the smallest recorded shift in the FT-SE 100 Index – down 0.3 points – as the Footsie again climbed above the 3,000 mark despite the uncertainties in Russia. Equities were helped on the London stock market yesterday by further gains in government bonds and by suggestions that prospects for UK corporate earnings may be stronger than expected. The Footsie closed up 3.9 at 3,005.2. Page 17; Flash Harrys in sober suits, Page 11; Lex, Page 26; Markets, Weekend Page II

Hutchison Microtel, UK cellular mobile telephone operator, claims a network it plans to launch next spring will cover 70 per cent of the UK's population by the end of 1994. Page 6

Prost to retire: French grand prix driver Alain Prost, 38, who will be world champion for the fourth time if he wins in Portugal tomorrow, is to retire at the end of the season.

STOCK MARKET INDICES

FT-SE 100:	3005.2	(+3.9)
Yield	3.9	
FT-SE Eurotrack 100	1274.95	(+1.11)
FT-A All-Share	1494.49	(+0.1%)
Nikkei	20,307.53	(+132.91)
New York lunchtime:		
Dow Jones Ind Ave	3531.09	(-8.66)
S&P Composite	457.0	(-0.74)

US LUNCHTIME RATES

Federal Funds:	2 15/16%
3-mo Treas Bills: Yld	2.972%
Long Bond	102½
Yield	6.053

LONDON MONEY

3-mo Interbank	5 15/16%	(5 15/16%)
Liffe long gilt future:	Sep 112 31/32	(Sep 112 15/32)

NORTH SEA OIL (Argus)

Brent 15-day (Nov)	$16.35	(16.2)

Gold

New York Comex (Dec)	$359.4	(359.0)
London	$357.25	(same)

STERLING

New York lunchtime:		
$	1.504	
London:		
$	1.5015	(1.506)
DM	2.475	(2.4775)
FFr	8.615	(8.625)
SFr	2.1575	(2.16)
Y	159.25	(159.5)
£ Index	80.2	(80.4)

DOLLAR

New York lunchtime:		
DM	1.645	
FFr	5.73	
SFr	1.4345	
Y	105.965	
London:		
DM	1.6485	(1.645)
FFr	5.7375	(5.7275)
SFr	1.4375	(1.4345)
Y	106	(same)
$ Index	65.2	(65.3)
Tokyo close Y 106.05		

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Yeltsin calls in troops to put pressure on deputies

Parliament given ultimatum to hand in arms and depart

By John Lloyd and Leyla Boulton in Moscow

PRESIDENT Boris Yeltsin yesterday ordered troops and riot police to circle the Russian parliament in a bid to break the resolve of deputies who have continued to defy his declaration of presidential rule.

Hours after the Dzerzhinsky division, an elite corps of interior ministry troops, surrounded the White House, the Russian Congress of Peoples' Deputies appeared to be cracking under the pressure of an ultimatum of 5am local time today (1am GMT) to hand over weapons and evacuate the building, adjourning its session at about 9pm.

Within the White House last night the guards who had earlier carried machine guns and automatic pistols were all without weapons.

Mr Ruslan Khasbulatov, the parliamentary speaker, had earlier said from the parliament's podium that the building should not be defended in the face of a vastly superior force.

A close aide to Mr Yeltsin declared victory in the struggle between the two centres of power. Mr Vladimir Shumeiko, first deputy prime minister, said the proceedings in the White House were a "tragi-comedy" and that "it is possible to say that the President has won".

Mr Yeltsin, speaking at a meeting in Moscow of leaders of the Commonwealth of Independent States, promised there would be no attack on the White House – a pledge echoed by Mr Viktor Yerin, the interior minister, whose troops surrounded the Russian parliament.

The parliamentary session ended with squabbling over Mr Khasbulatov's leadership. Mr Veniamin Sokolov, head of the Council of the Republic, said Mr Khasbulatov's "potential was exhausted" – but Gen Alexander Rutskoi, named by Parliament as acting vice president, saved him from defeat by saying that "changing horses in midstream" would make the deputies "the laughing stock of the world".

Economic union for 10 Soviet republics ....Page 2
Iron fist and an iron glove ....Page 10

Mr Yeltsin's military and security chiefs took their harder line after a policeman and a bystander were killed in an attack on Thursday night on a military installation in Moscow.

General Konstantin Kobets, a deputy defence minister, linked the attack to the parliamentary leadership, saying it had issued arms to the "extremists". Col Stanislavn Terekhov, head of the militant Union of Officers, was arrested, together with eight other men.

As the defiance of the White House appeared to peter out, attention shifted to the regions where a number of councils have protested against Mr Yeltsin's decree banning the federal

Continued on Page 26

Branson bets on flutter-as-you-fly

By Paul Betts, Aerospace Correspondent

MR Richard Branson is taking a gamble by introducing a new form of entertainment on long-distance flights.

His Virgin Atlantic Airways plans to launch the first casinos in the sky when it starts daily services from London Heathrow to Hong Kong next February with new Airbus A340 airliners.

Not only will passengers in all three classes of the aircraft be able to play roulette, blackjack, poker and other games of chance on videos from their seats, but on some flights there will also be live gambling with a croupier in the lounge area of the cabin.

Mr Branson said there was nothing to stop him from introducing gaming on board once an aircraft is 20 miles out of the airport. "You can do anything you want: you'll get the brothel in the sky next," he said.

Virgin Atlantic is planning to introduce airborne electronic shopping facilities at the same time as gambling.

Both will be available on channels on a new, advanced video system fitted to the back of the seat in front of each passenger. The system, in which Virgin has invested about $20m (£12.9m), is being developed by Hughes Avicom of Los Angeles.

Using a credit card, passengers will be able to use the gaming channel or order goods from the shopping channel and collect their goods either on board or on arrival.

"We are still working on the software but we expect it to be ready to introduce on the Hong Kong flights next year," Virgin said. It said there would be a credit card swipe in the seat video system to credit or debit passengers.

Mr Branson sees these facilities as the economics of air travel in the future. "If we make £10 more per passenger it will add £20m more to our bottom line," he said.

"But we will clearly make certain not to take away too much money from passengers because we want them to come back."

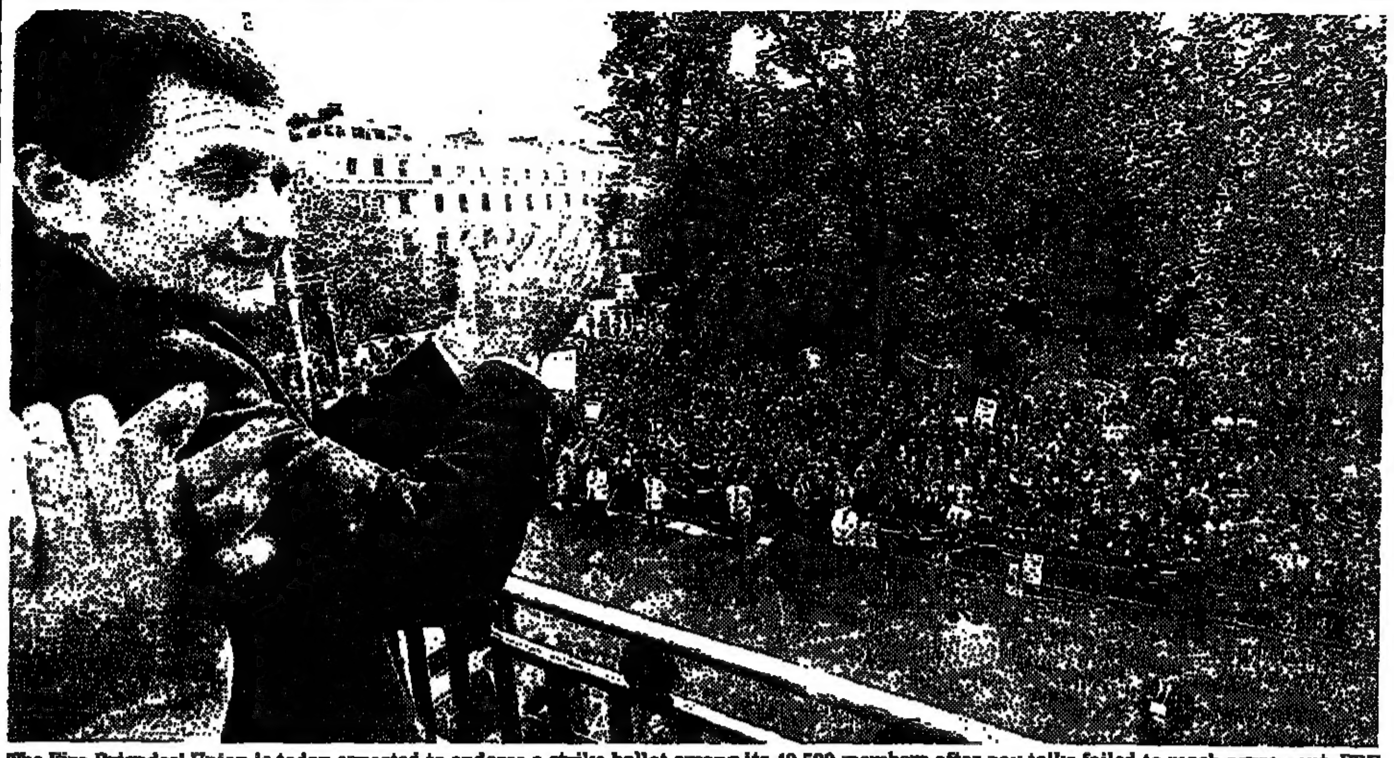
Upper and lower limits will be built into the system to control how much passengers can bet, win or lose. Virgin said the idea was not so much to create a "gaming palace" in the air but to extend the range of in-flight entertainment.

However, the airline is clearly targeting the strong gambling penchant of the Hong Kong Chinese by starting the facility on its new Hong Kong flights, for which it this week gained slots at both airports.

The airline is also recruiting an additional 500 employees to prepare for the expansion of its long distance services with a new fleet of A340s and Boeing 747-400 airliners.

US-German aviation deal, Page 3

Firefighters seek strike ballot in pay dispute


The Fire Brigades' Union is today expected to endorse a strike ballot among its 49,500 members after pay talks failed to reach agreement. FBU general secretary Ken Cameron (left) told a rally in London yesterday that a conflict would be hard to prevent Report, Page 8 Ashley Ashwood

Mandela calls for lifting of S African sanctions

By Philip Gawith in New York

MR Nelson Mandela called yesterday for the lifting of all economic sanctions against South Africa, declaring that victory against apartheid was in sight.

The US Senate later approved legislation lifting US sanctions and Canada and the Commonwealth indicated that they would follow suit.

Addressing a specially convened meeting in New York of the United Nations Special Committee Against Apartheid, which has spearheaded the sanctions drive over the past three decades, Mr Mandela asked governments "to take all necessary measures to end the economic sanctions you imposed".

Mr Mandela, leader of the African National Congress, called on the international investment community to "help regenerate the South African economy", offering a gloomy assessment of a country "threatened by a process of disintegration".

He said steps should be taken to prevent South Africa sliding towards another Somalia or Bosnia. Sanctions had brought South Africa to the point "where the transition to democracy has now been enshrined in the law of our country".

Parliament passed legislation on Thursday creating a multiracial Transitional Executive Council which gives blacks a say in central government for the first time.

The passage of the legislation has been welcomed by President Bill Clinton as a "historic step". He said the US would launch "initiatives to help restore economic growth" to South Africa. These include supporting South Africa's renewed access to the International Monetary Fund and World Bank.

Mr Mandela's call comes at the beginning of a crucial 10-day period for the country in which senior officials of both government and the ANC will be seeking to convince investors and donors that they should invest in South Africa.

South African government officials and ANC representatives will attend the annual meetings of the IMF and World Bank. Next week will also see two important South African investment conferences in New York and Washington DC.

The power behind sanctions; Investors wary, Page 4

Brittan urges rate cuts to 'kick-start' EC economies

By Lionel Barber in Brussels

SIR Leon Brittan, the European Community's chief trade negotiator, yesterday called on member states to take advantage of the newly flexible exchange rate mechanism to cut interest rates and "kick-start" their economies out of recession.

Laying out a policy for closer economic co-operation within the Community based on agreed monetary growth targets for each of the twelve member states, Sir Leon sought to salvage European economic and monetary union and restore confidence in the Community's political ambitions.

Without mentioning France and other countries which have put a higher priority on maintaining close links to the D-Mark, Sir Leon said interest rate cuts should take place on condition that inflation risks were limited.

In his speech to the Centre for Economic Policy Research in London, on its launch as a resource centre of the UK's Economic and Social Research Council, Sir Leon staked out his position as a contender to succeed Mr Jacques Delors as president of the European Commission.

In defiance of UK government policy, he made clear that he did not share the scepticism of Mr John Major, the prime minister, about the desirability or likelihood of Emu. It would be "a grave mistake to assume that this issue will now slip quietly off the European agenda," he said. At the same time, nobody in the continent would try to force the UK back into the ERM or Emu.

Sir Leon also ridiculed the suggestion – floated by Mr Delors a week ago – that capital controls might be the way to ward off currency speculators and to strengthen the ERM as a vehicle for future monetary union.

Such controls could not seriously be entertained, Sir Leon said. "Their reintroduction would be contrary to the commitments which European governments have made to each other and internationally. They would undermine price stability goals. They could be a step, not toward a single currency, but away from it and certainly a step away from the single market."

Sir Leon sought to make a virtue out of the August 2 crisis

Continued on Page 26
Man in the News, Page 10

AN EARLY round of European interest rate cuts looked more likely yesterday after Denmark cut its discount and key deposit rates by ½ point to 8.25 per cent, writes James Blitz.

The Danish authorities may have been encouraged to make the move by the krone's strong performance against the D-Mark in recent days.

Some dealers also noted that the French authorities had allowed the cost of overnight funds to drift down by 0.2 points to about 7.15 per cent, bringing it closer to the intervention rate, which marks the effective floor for France's rates.

The intervention rate has not been cut since the exchange rate mechanism's bands were widened last month.

CONTENTS

Austria Sch30; Bahrain Din1.250; Bermuda $1.85; Belgium BFr65; China Fec 13.0; Canada C$1.40; Croatia HRD5700; Cyprus C£1.00; Czech Rep CZK45; Denmark DKr15.00; Egypt E£4.50; Finland Fmk12; France FFr9.00; Germany DM3.30; Greece Dr300; Hong Kong HK$16; Hungary Ft185; Iceland IKR215; India Rup40; Indonesia Rp3,800; Israel NS5.90; Italy L2700; Japan Y500; Jordan JD1 50; Korea Won 2500; Kuwait Fils.600; Lebanon $US1.25; Luxembourg LFr65; Malaysia Rin4.50; Malta Lm0.60; Morocco Dh13.00; Nigeria Naira45.00; Netherlands Fl3.75; Norway Nkr16.00; Oman OR1.50; Pakistan Rs35; Philippines Pso 45; Poland Zl 22,000; Portugal Esc215; Qatar QR12.00; S.Arabia Rls11.00; Singapore S$4.10; Slovak Rep KSL45; Slovenia SLT220; South Africa R12.00; Spain Pta210; Sri Lanka Rup30; Sweden SKr15.00; Switzerland SFr3.20; Taiwan NT$65; Thailand Bht50; Tunisia Din1.250; Turkey L8000; UAE Dh11.00; USA $1.25 (Alaska & Hawaii $1 75)

Economic union for 10 Soviet republics

By Leyla Boulton in Moscow

TEN OF the 15 former Soviet republics yesterday signed a treaty of economic union after nearly two years of trying to manage on their own economically as independent states.

Although merely a framework, to be implemented only if republics agree on the details, it marks a drastic sobering up to reality for fledgling countries which had previously placed their political sovereignty above all else. A striking illustration of this was Azerbaijan's accession yesterday to both the commonwealth and the economic union treaty.

The 10 signatories, from Belarus in the west to Kazakhstan in the east, agreed to "gradually build a common economic space on the basis of market relations" via:

- the gradual reduction and eventual abolition of all customs tariffs and other internal trade barriers;
- equal legal status for one anothers' companies, to encourage jointly-owned companies (this would in part enable other republics to pay Russia for energy supplies with stakes in their industrial enterprises);
- a payments union, or multi-currency clearing system to be run through an Inter-State Bank. This would eventually be transformed into a currency union under which republics would allow their currencies to float against the rouble within agreed limits.

Those signatories which retain the rouble would have fiscal and monetary policy determined by Russia.

War-torn Georgia sent an observer to the Moscow summit, while the three Baltic states have avoided anything to do with the Commonwealth. Turkmenistan did not sign, after other members questioned its request to be exempt from key points of the treaty. Ukraine joined as an associate member pending full approval from its parliament.

The treaty's most immediate benefit is political, giving Russian President Boris Yeltsin an important show of recognition from Russia's neighbours as he struggles to dissolve a parliament which has deposed him.

Many other republics have been driven to the treaty primarily through their inability to finance energy imports from Russia, and see it as a means to obtain financial help. The knock-on effects of the insolvency of a country like Belarus have included a ban by the authorities on even private Belarussian businessmen from transferring money to Russia.

Although he said yesterday's agreement would help further integration among six republics which have already undertaken to keep the rouble as their common currency, Mr Victor Gerashchenko, chairman of the Russian central bank, warned that the economic union could not be built overnight.

- Russia has decided to issue Rbs1,000bn in bonds backed by 100 tonnes of gold, Commonwealth television said, Reuter reports from Moscow.

It said Russia produced 150 tonnes of gold a year and had reserves of 330 tonnes. It did not say when the bonds would be issued and gave no details of the interest rate or maturity.

Yeltsin example prods Ukraine towards polls

UKRAINE yesterday provided a model of political harmony for Russia by deciding to hold early parliamentary and presidential elections to end crippling political infighting, Leyla Boulton writes.

Inspired by Russian President Boris Yeltsin's forcible suspension of parliament this week, the parliament voted to hold parliamentary elections on March 27 and a presidential poll on June 26.

"If we take no decision today on elections, [President Leonid] Kravchuk will be left with no choice but to act like Yeltsin," warned Mr Yevhen Sviderski, a liberal deputy.

Mr Kravchuk agreed the dates from his car-telephone while in Moscow for a commonwealth summit during which he could not agree to full membership of an economic union pact without returning to Kiev for consultations with parliament.

Parliament has opposed closer links with Russia and favoured keeping at least some of the nuclear weapons on its soil despite international pressure to give them up.

But most damagingly, the republic has made no progress with economic reform because of resistance to it from both the president and among deputies.

Opposition parties and trade unions had threatened to stage a general strike next week if parliament, elected in 1990 before Ukraine became independent, failed to take action. Mr Kravchuk, elected in December 1991 on the same day Ukrainians voted for independence, agreed to stand for re-election if parliament agreed to do the same.

If he decides to run, a very strong candidate in the presidential poll could be Mr Leonid Kuchma, the former prime minister who resigned last week saying conservatives were preventing him carrying out reforms.

Environmental case against Nafta rejected

By Nancy Dunne in Washington

IN A victory for President Bill Clinton, a federal appeals court yesterday overturned a ruling that US officials must prepare an environmental assessment of the North American Free Trade Agreement (Nafta).

The unanimous 3-0 decision reversed a lower court's ruling, which had threatened to delay, if not scuttle, the proposed free trade pact between the US, Canada and Mexico.

The earlier ruling would also have set a precedent which could have affected other US trade agreements, including the Uruguay Round. Environmental impact statements (EIS) take months to prepare, and sometimes years to argue when they are challenged in court.

On June 30, the US trade community was thrown into an uproar when three environmental and public interest groups – Public Citizen, the Sierra Club and Friends of the Earth – successfully argued for US officials to prepare an assessment of Nafta's impact on the environment.

District Court Judge Charles Richey ruled that the three groups had "demonstrated that there is a reasonable risk that Nafta may cause environmental injury".

The administration swiftly appealed, arguing that while agency proposals might be subject to the EIS rule, the president is not. It is the president who submits trade agreements, and his ambassador who negotiates them.

The appeals judges agreed and said the plaintiffs could not even sue until executive action was final, that Nafta has yet to be sent to Congress, and the side agreement on environment "may well change the dimensions of the conflict over potential environmental damage".

Although yesterday's ruling is likely to be appealed again to the Supreme Court, the court is not required to hear the case, and, if it does, is not expected to reverse it.

While the White House yesterday was claiming victory, the three groups which brought the suit could claim gains in the court of public opinion. In early summer, most Americans were just beginning to learn about the trade pact. The publicity given the court action brought the environmental link into the news.

Nafta has become the most controversial trade agreement in memory, as opponents fan the fears of job losses and environmental damage. The administration is finally pushing hard for the pact, but it will be an uphill battle.

Free-traders in Congress worry that the unpopularity of Nafta bodes ill for the more important Uruguay Round. They worry that, if the pact is defeated, loss of US credibility will hamper the already arduous negotiations in Geneva and strengthen the forces of populism and protectionism in Congress.

NEWS IN BRIEF

Nato forces head due to be named

THE US is expected to name General George Joulwan as Supreme Allied Commander of the North Atlantic Treaty Organisation's forces in Europe, writes George Graham from Washington.

Gene Joulwan, who now heads the US Southern Command in Panama, would succeed General John Shalikashvili, who has been nominated to become chairman of the Joint Chiefs of Staff, the top military position in the US.

The position of Saceur is traditionally in the gift of the US, but the appointment would be subject to approval by the Nato allies.

US durable goods orders up

New orders for durable goods rose 2 per cent between July and August, providing further evidence of modest economic growth, the Commerce Department reported yesterday, writes Michael Prowse from Washington.

The increase followed a revised decline of 3.1 per cent between June and July and left orders 8 per cent higher than in August last year. Most of the increase last month was in the transport sector. Excluding transport, orders were up only 0.3 per cent.

Mr Ron Brown, commerce secretary, said the report "confirms our confidence that economic growth will pick up in the second half of the year."

Gloomy figures for Japan

Japanese consumers' gloomy mood was underlined yesterday by the lowest August car production for 10 years and the 12th consecutive monthly decline in chain store sales, writes William Dawkins from Tokyo.

Domestic vehicle production last month fell by 7.4 per cent from the same month in 1992, as domestic and export demand both declined. Half the 10 companies surveyed by the Japan chain stores association reported that business in September was recovering but they were not sure if sales had bottomed out. Year on year, chain store sales fell by 2.1 per cent in August.

Rexrodt seeking investment

Mr Günter Rexrodt, Germany's economics minister, yesterday appealed to western German and foreign companies to invest more in the chemical sector in eastern Germany, which he said had the potential to become a base for research and development, writes Judy Dempsey from Bitterfeld, Saxony-Anhalt.

But he warned that investments in the sector must be coupled with greater wage restraint. Productivity in the chemicals industry in eastern Germany is about 65 per cent below western German levels, leading to losses of over DM1.2bn a year.

Start on desertification treaty

The first steps in drafting an international treaty to combat desertification were agreed yesterday following two weeks of United Nations-sponsored talks in Geneva by officials from about 120 countries, writes Frances Williams from Geneva.

The treaty, due to be completed by June next year, will aim to promote "sustainable development" in arid areas.

UN weapons team for Iraq

Th United Nations yesterday said that it would send an advance team to Baghdad on Monday to prepare for further talks on preventing the development of weapons of mass destruction in Iraq, writes Michael Littlejohns from New York. The announcement came after Baghdad accepted UN demands to activate monitoring cameras at two missile test sites. The dispute had stalled talks initiated in New York at the end of August.

Brussels move on insurance

The European Commission is likely to produce new proposals for further harmonising the operation and supervision of the insurance industry. Mr Vanni d'Archirafi, EC Commissioner responsible for the Single Market, hinted yesterday, writes Lionel Barber from Brussels. He served notice that proposals for a new directive might cover areas such as prudential supervision, financial conglomerates and an improved system of car insurance.

Nicaraguan strike over

Armed transport workers in Nicaragua yesterday ended a five-day strike after the government agreed to roll back new vehicle taxes and freeze petrol prices, Reuter reports from Managua. They lifted barricades and fired homemade mortars and bottle rockets in Managua, after the accord was signed early yesterday.

Peacekeepers in dilemma after being told to disarm rebels or leave

Croatian demand over UN troops

By Gillian Tett in London and Laura Silber in Belgrade

UNITED Nations diplomats were engaged in intensive discussions in New York yesterday after the Croatian government demanded that the UN should either strengthen the mandate for its 14,000 peacekeeping troops in Croatia, or withdraw completely.

With the peacekeeping mandate in Croatia due to expire in five days, UN officials admitted the demand had left the Security Council facing another Balkan diplomatic dilemma.

The Security Council is due to meet Croatian President Franjo Tudjman next week to discuss the mandate, established 16 months ago after the 1991 war between the Croat government and rebel Serbs.

UN officials have also asked Security Council members and the German government, which has had particular influence with the Croat leadership in the past, to step up their own diplomatic pressure on the Croat government to withdraw its demand.

But Mr Mario Nobilo, Croatian ambassador to the UN, yesterday insisted the UN forces should withdraw if they did not forcibly disarm the rebel Serbs who control about a third of Croatia's territory.

"As a last resort there is the military option, although it is not our intention to attack these areas immediately," Mr Nobilo said.

Although most observers believe the Serb rebels could inflict serious damage on the Croats, the Croatians have become concerned that the proposed partition of Bosnia could herald the secession of the Serb-held areas from Croatia.

However, UN officials yesterday insisted that though the UN is deeply reluctant to withdraw from Croatia, the security council was not prepared to step up its mandate.

One UN diplomat said: "This has left the secretary general facing some unpalatable options. We know if we withdraw there will be war. But it is not the UN's job to risk lives disarming the Serbs."

- Bosnia's Moslem-led army has ordered Croat forces co-defending Sarajevo to withdraw to barracks or face unspecified consequences, a Croat military spokesman said, Reuters reports.

Gen Veso Vegar of the Croat Defence Force said 2,500 of its troops had helped defend the capital against besieging Serbs for 17 months but the Bosnian government command was now trying to neutralise them because of Croat-Moslem fighting elsewhere in the republic.

The move appears to mark a serious threat to the Bosnian government's attempts to maintain Sarajevo as an ethnically mixed city.

Bosnian Serb soldiers survey the area from a wrecked tower during a lull in fighting against Moslem forces in Modrica, north-east Bosnia. Reuter

Finns refuse to build fifth nuclear plant

FINLAND'S parliament yesterday voted against building the country's fifth nuclear power plant. MPs rejected the project by 107 to 90 after a heated three-day debate, writes Christopher Brown-Humes from Stockholm.

The decision was immediately condemned by Finnish industry and trade unions, who say the reactor is essential for the country's energy and for jobs at a time of 20 per cent unemployment. The FM10bn-FM15bn (£1.1bn-£1.7bn) plant would have provided up to 10 per cent of Finland's energy needs by the year 2000.

The vote has a wider symbolic value, with France and the UK now the only west European countries with reactors under construction.

It will disappoint the international contractors who had already made bids to build the plant: Sweden's ABB Atom, Russia's Atomenergoexport, and NPI, a consortium formed by Germany's Siemens and France's Framatome.

The Finnish prime minister, Mr Esko Aho, opposed the plant, although his cabinet colleagues within the centre-right government gave it the go-ahead in February.

Mr Tauno Matomäki, chairman of the Confederation of Finnish Industry and Employers, described the decision as "a disincentive to industrial business in Finland".

Congress set for crime crackdown

By George Graham in Washington

CONGRESS may act to combat crime as early as next month following the formal introduction this week of crime legislation in both the House of Representatives and the Senate.

The legislation proposes limits on the right to habeas corpus appeals, new forms of punishment such as military-style "boot camps" for young offenders and authorisation of funding for another 50,000 police officers.

The House version of the bill includes the so-called Brady bill, designed to curb sales of handguns by imposing a five-day waiting period.

Both bills propose a largely symbolic expansion of the federal death penalty, but drop a proposal for executing "drug kingpins" because of doubts about its constitutionality.

President Bill Clinton yesterday rallied support for crime legislation in Florida, which has one of the highest rates of violent crime in the US and has been the scene of a string of recent killings of tourists.

He argued for boot camps, community policing and gun control. "These are things we have to do. These three things are preventive, and they're worth a pound of cure.

"There's no use in us pretending that some national government programme and money alone will fix it, but there's no use in us pretending that just preaching at people will fix it either," he said.

Congressional legislation on crime usually turns into an opportunity for politicians to show their constituents how tough they are. It also tends to have little effect, because most crime is the responsibility of state and local governments.

Latin America 'chaos' warning

By Stephen Fidler, Latin America Editor

A FAILURE by Latin American governments to act aggressively against poverty could lead to chaos, the World Bank argues in a report today.

The region has the most unequal income distribution in the world, with the poorest 20 per cent of the population receiving about 4 per cent of income, it said.

"Failures to act aggressively on poverty will likely encourage distributive conflicts, prompting discontent and perhaps even a return to populism, dirigisme and chaos," the report argued.

Economic growth remained the best way out of poverty, but programmes should be directed towards the poor, both to tackle the short-run consequences of poverty such as malnutrition and longer-run issues such as poor schooling.

It said three fundamental policy elements were needed: prudent macro-economic management, further reforms to the structure of the economy and its institutions, and the alleviation of poverty.

In the overall economy, it was important to monitor the large increases of capital from investment portfolios. "There is little doubt for most countries that the current capital inflows will not continue in the long run."

It added: "If macro-economic management is less than prudent, capital inflows could grind to a sudden halt, unleashing potentially serious macro-economic dislocations."

Other priorities were to devise policies that encouraged domestic, especially private, savings; to invest in infrastructure; and to develop institutions such as central banks. It supported the move to independence of central banks in Argentina, Chile, Colombia, Mexico and Venezuela.

It said that only in Chile and Mexico did the economic reforms of recent years have a low probability of reversal and it was important to avoid premature exuberance and enthusiasm about recent policy changes. "In the rest of the region, the reform process is at different stages of implementation – with different degrees of political popularity."

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G7 ministers look for sustainable growth

Peter Norman prepares the ground for today's talks in Washington

THE elusive goal of sustained non-inflationary growth for the world economy will be at the centre of today's talks in Washington among finance ministers and central bank governors from the Group of Seven leading industrial nations.

After a week in which the International Monetary Fund has downgraded its forecasts for growth in the industrial countries this year and next, the ministers from the US, Japan, Germany, France, Britain, Italy and Canada are fully aware of the risks to economic recovery.

The US hosts of the meeting will press for more measures to boost global growth. Mr Lloyd Bentsen, the US treasury secretary, and Mr Larry Summers, treasury undersecretary for international affairs, are concerned about a lack of any convincing upturn in continental Europe and doubts about whether the recent fiscal package and this week's sharper than expected cut in Japan's discount rate will suffice to prevent full-blown recession in Japan.

Mr Bentsen called this week for more interest rate cuts in Europe and intimated that he would like to see tax cuts in Japan. But today's meeting will end without an economic policy communiqué – partly to allow time to discuss developments in Russia with finance minister Boris Fyodorov. "Don't look for us to pull any rabbits out of hats," Mr Bentsen said on Thursday.

Differences are sure to emerge between the US and Germany on their perceptions of economic growth. The German government has rejected as too pessimistic IMF forecasts of a 1.6 per cent decline in German gross domestic product this year and growth of only 1.2 per cent in 1994. Bonn officials say the economic recession has bottomed out and output will drop by only 1 per cent this year to be followed by 1.5 per cent growth in 1994.

The German delegation, led by Mr Theo Waigel, the finance minister, will counter demands for faster cuts in interest rates with assurances that measures to cut the budget deficit should create room for further monetary easing.

Mr Edmond Alphandéry, the French economics minister, may find himself in a hotter seat. France's reluctance to cut rates decisively since the widening of the European exchange rate mechanism's fluctuation margins early in August has disturbed other G7 countries. In addition, France's obstruction of progress towards a conclusion of the Uruguay Round of trade liberalisation talks is viewed as a serious threat to the world economy.

Mr Bentsen made clear this week that the US would not tolerate a reopening or renegotiation of the Blair House agreement to reduce subsidies in agricultural trade. Although Mr Alphandéry is not a trade negotiator, he will be given a clear message to send to Paris from the US and the other G7 countries.

It is through such lobbying and persuasion that the G7 finance ministers hope to influence the world economy. And Mr Bentsen, who has breathed new life into the group as treasury secretary, is pleased with progress so far this year.

The past six months have seen significant policy changes in the G7 countries. The US has adopted a \$500bn (£325bn) deficit reduction programme. Japan has begun deregulating its economy in addition to its economic stimulation packages. While there have been complaints about the pace of interest rate reduction, borrowing costs have come down in all G7 countries.

It is likely that such steps would have been taken in the absence of the finance ministers' meetings. But it is possible to argue, as did a senior US treasury official this week, that the discussions among the G7 ministers have had a catalytic effect that has speeded policy change.

NEWS: INTERNATIONAL

Germany and US agree on new bilateral aviation deal

By Ariane Genillard in Bonn

GERMANY and the US yesterday agreed a new bilateral aviation accord clearing the way for a far-reaching collaboration deal between Lufthansa, the German airline, and United Airlines, one of the three biggest US carriers.

The four-year agreement, which will come into force on November 1, allows Lufthansa to enter a code-sharing partnership with a US carrier, giving the German airline gradual access to any destination in the US. Code-sharing allows two airlines to book their passengers on each other routes.

Lufthansa yesterday said that it was still negotiating with two potential US partners, but negotations with United Airlines are understood to be in their final stages. A deal would also place Lufthansa in a stronger competitive footing against other European airlines which have already forged alliances with US carriers.

Mr Jürgen Weber, the Lufthansa chairman, said that he was pleased with the accord and that it would lead to fair competition on North Atlantic routes to and from Germany.

The agreement also puts a two-year capacity freeze on US carriers flying into Germany and back. A gradual increase on the number of North Atlantic flights is foreseen for the following two years.

In return, the US will be allowed to have a second national carrier enter a code-sharing agreement with an airline from the European Community. Northwest, the US airline, already has such a partnership with KLM Royal Dutch Airlines and has been seeking to prolong its transatlantic flights to Amsterdam into the German market.

The air traffic agreement follows lengthy and difficult negotiations in which Germany has sought to pry open the US market for its national carriers. Germany claimed that the current post-war air traffic agreement gave undue advantage to US carriers flying into Germany and had threatened to abrogate it unless it was changed.

Under the new agreement, Lufthansa will be able to fly directly to 25 destinations in the US. It will be able to operate, via its code-sharing agreement, up to 500 North Atlantic round-trip flights per week to anywhere in the US by the year 1997. The German carrier at the moment operates 112 round-trip flights over the ocean per week.

US carriers will be limited to the existing number of North Atlantic flights between the two countries for two years. The capacity freeze also applies to US flights out of Germany to third destinations.

In the third and fourth year of the agreement, US airlines will be able to increase North Atlantic round-trip flights to 14 per week and round-trip flights to third destinations from Germany to seven a week. At the moment, US carriers operate an average of 253 flights a week between the two countries in the winter and 262 in the summer.

The US will be allowed in return to have 140 one-way flights a week operated between the US and Germany through a code-sharing agreement with another airline from the EC.

"This a win-win agreement which amounts to three-quarters of an open sky treaty," a German government official said.

Czechs see threat to investment

By Patrick Blum in Prague

THE FLOW of foreign investment to the Czech Republic is threatened by the recession in the west and by rising local costs and wages, Mr Vladimir Dlouhy, trade and industry minister warned this week.

Bureaucracy and the poor quality of information were also deterring investors, he said in an article published in the daily newspaper Mlada Fronta Dnes.

Mr Dlouhy, who is a fervent advocate of foreign investment as well as a staunch defender of Czech interests, said that investment in the first half of this year was \$392m (£260m), slightly less than for the same period of 1992. A large part of this was an investment carried over from last year by Philip Morris, the US tobacco company, in Tabak Hutna Hora.

Mr Dlouhy said that the decision by Volkswagen, the German car manufacturer, to scale down its investment plans for Skoda, the Czech car maker in which VW has a 31 per cent stake, was "another proof of the fact" that the recession in the west was limiting investment plans.

"It does not make for too optimistic a picture," though it was too early to assess the likely results for the whole of 1993, he said.

Privatisation programmes in France, Brazil and other countries increased the competition to attract foreign investors, while the recession in Germany was causing a drop of 10 per cent in investment activity.

The Czech Republic's greatest attraction was its qualified, low-paid workforce, but this was threatened by a 22-25 per cent rise in wages in the first half of this year. The price of goods, raw materials, services, and transport were also rising. There was serious overstaffing in companies, and bureucracy made investment difficult, he said. "When will all our complicated specifications which foreigners cannot understand disappear. There are 20 serious projects worth \$540m for the Prague area alone sitting in the network of the administration at the moment."

Investors seeking to buy companies through the Prague stock exchange or its over-the-counter RM-System rival were provided with poorer information than they can find in other markets.

Poland's largest party calls for debt cut

By Christopher Bobinski in Warsaw

LEADERS of the Left Democratic Alliance (SLD), the former-communist grouping which emerged from Poland's elections last Sunday as the largest single party, yesterday called on the World Bank and the International Monetary Fund to support the country's efforts to win a 50 per cent reduction in its \$12.3bn (£8.17bn) debt to western commercial banks.

In a meeting yesterday with foreign diplomats, they also reiterated their commitment to the country's integration with the European Community and to budgetary and monetary stringency.

However, Mr Alexander Kwasniewski, the SLD leader, hinted yesterday, after the final election results were announced, that the process of forming a new government would take time and that "there were equal chances of the SLD being in government or opposition."

The election results to the Sejm, parliament's lower house and most important chamber, show that six parties managed to enter parliament. The SLD and the PSL farmers' party, both of which have their roots in the communist past, together won 35 per cent of the votes but gained a 66 per cent share of the 460 seats.

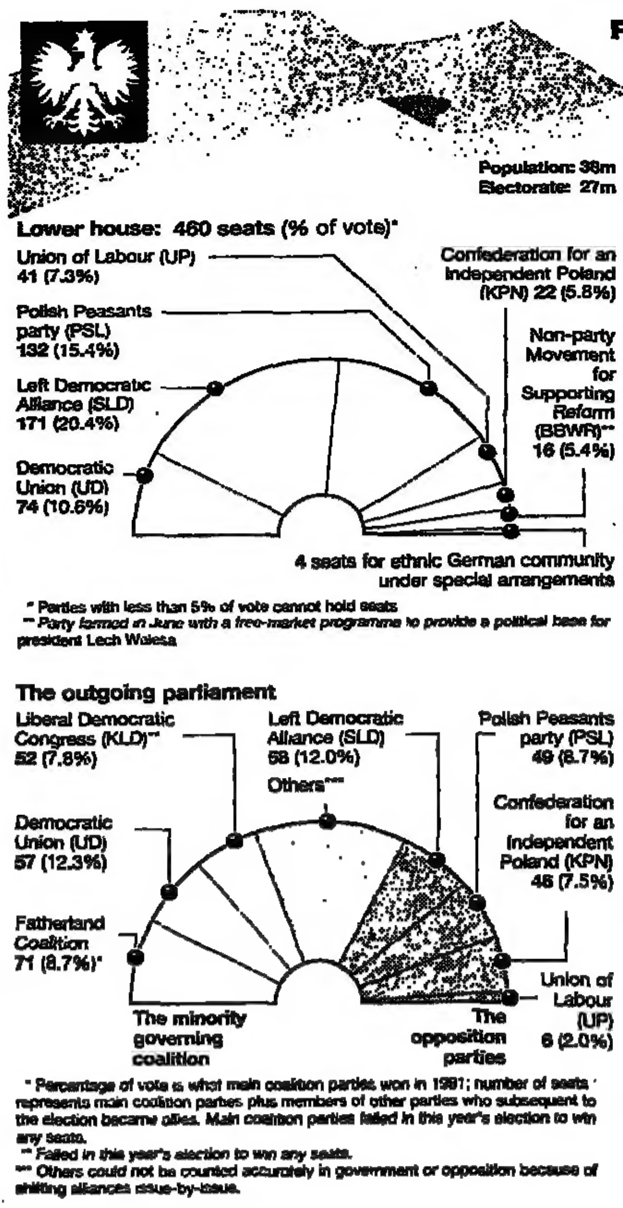
Some 38 per cent of the almost 14m Poles who voted remain unrepresented because of the election law which bars entry to parties which failed to win 5 per cent of the national vote. None of the anti-communist right-wing parties, all of which ran separately, crossed the threshold.

However, their share of the ballot totals 19 per cent, or almost as much as the post-communist SLD. The election saw a 52 per cent turnout compared to 43 per cent at the last election in 1991.

● Mr Kwasniewski said yesterday he was still optimistic about forming a government, Reuter reports from Warsaw.

"I am not a pessimist at the moment," he said, "I think things point now more to the fact that there must be a government between the PSL and the SLD and talks are still going on."

Polish election results



Who wants what

Left Democratic Alliance (SLD): The party, a former-communist grouping, wants to govern in coalition with the Democratic Union (UD), which would give it respectability abroad and strengthen its reformist leadership in the face of grass-roots populist demands. However, it may be forced by the UD's stance (qv) and against its better judgement into an alliance with the Polish Peasants Party (PSL).

Polish Peasants Party (PSL): The party, a farmers' organisation which survived the post-war period by collaborating with the former Communists, is looking to the Union of Labour (UP) and maybe the UD to join it in a coalition which would isolate the SLD and provide urban allies. The party would like to see its leader, Waldemar Pawlak, as prime minister and to avoid a simple pairing with the SLD, which would produce an old-style coalition backed by only 35 per cent of the voters.

Democratic Union (UD): The UD is likely to hold the key to the formation of the next government as it is the only Solidarity-based party strong enough to be a coalition partner and able to give either of the election's two main victors both respectability abroad and the support of at least some Solidarity voters. Meanwhile, however, it says it will remain in opposition and is therefore pushing together the SLD and PSL.

Union of Labour (UP): The party, a left-leaning movement led by Ryszard Bugaj, the fiercely anti-communist former Solidarity adviser, is dismayed at the prospect of the having the SLD in power and wants the UD to govern in coalition with the PSL and itself. The UD has so far remained deaf to the appeal.

Taxi war highlights big growth in racketeering

THE MURDER of a taxi driver this week during the middle of the day on Wenceslas Square, one of Prague's main tourist and shopping boulevards, highlights the growing lawlessness sweeping the city's taxi trade, writes Patrick Blum.

Thursday's victim had come to the defence of a woman passenger violently ejected from another taxi whose driver felt her destination was not distant enough to be profitable. According to CTK, the Czech news agency, the victim was kicked to death by the other driver for suggesting his behaviour gave taxi drivers a bad reputation and would soon leave them with only themselves to drive around the city.

The killing was only the latest in a series of violent incidents which have claimed the lives of several drivers. The rising violence against taxi drivers, and the control of taxi stands by Mafia-style gangs, have led the Association of Prague Taxi Operators to call for action by the city authorities to improve safety and restore law and order but until now little has been done to improve the situation.

A delegation of taxi drivers yesterday appealed to the mayor, Mr Jan Koukal, to "free the Prague taxi service from the influence of people who assert their right to decide who will or will not use taxi stands and who recklessly decide on the unprecedented overcharging of customers."

Last June, the association warned that organised groups were forcing honest drivers away from the taxi stands through threats and by attacking them and damaging their vehicles. The association says the gangs consists of former secret police drivers, illegal money changers, and dealers in black market goods.

It is not uncommon for taxi drivers to insist on a flat payment – usually several times the meter fare – or refuse to carry passengers. Dishonest drivers prey on unwary tourists and often ask for much more than the normal fare of Kcs12 (27p)per kilometre. This correspondent was thrown out – verbally – of a taxi on Old Town Square, the heart of the Czech capital, packed with thousands of tourists on any summer day, for insisting that the driver switch on his meter rather than pay a pre-set amount representing five times the real cost of the trip. My threat to report the incident to the police met with a laugh and a shrug.

But while many honest taxi drivers are driven out of business or face threats, unwary passengers have also been robbed and attacked by drivers. For tourists it is best to avoid the taxi ranks in the town centre, and call a reliable taxi company on the telephone to avoid unpleasant surprises.

As elsewhere in central and eastern Europe, the demise of communism has opened the door to the emergence of a new underworld involving a variety of criminal activities including racketeering, protection, prostitution, drugs dealing, and the illegal trade in arms and radio-active materials. Violence is not uncommon as gangs fight for control, while an under-staffed, under-resourced, inexperienced and under-paid police force is overwhelmed by the rise in criminality.

German cartel body to probe car makers

By Kevin Done in London and David Waller in Frankfurt

GERMANY'S Federal Cartel Office is to investigate complaints from automotive components suppliers that they are being forced by German carmakers to bear the brunt of the drastic restructuring that is now under way in the German auto industry.

The cartel office yesterday urged suppliers to submit details of alleged unfair and improper business tactics.

The call came from Mr Dieter Wolf, the cartel office president, at a meeting at the office's Berlin headquarters between German suppliers and industry associations to discuss the mounting problems of the sector.

Mr Rolf Kieker, the cartel office spokesman, said the call to the suppliers was not directed against any particular company or individual.

All German vehicle makers are engaged in a far-reaching drive to reduce their costs and improve their competitiveness in the face of plunging sales of cars and commercial vehicles.

The most highly-publicised cost-cutting effort is being mounted by the Volkswagen group, Europe's biggest vehicle producer which suffered a loss of DM1.6bn (£646m) in the first half of the year, and is being led by the group's controversial purchasing and production director Mr José Ignacio López de Arriortúa.

Volkswagen has been in the forefront of carmakers seeking big price cuts from suppliers this year. Several suppliers have publicly criticised pressure from car manufacturers.

The cartel office said that companies affected had complained that they were having to carry the burden of the structural changes in the automobile industry.

Complaints would be collected and evaluated, said the cartel office.

The meeting agreed that there was a fundamental need to maintain an effective and innovative automotive components industry, but the cartel office said that the necessary structural adjustments must conform with market rules, and there should be no distortions of competition.

Consumer spending in France declines

FRENCH CONSUMER spending fell sharply last month, undermining hopes of a rebound in household demand, according to statistics released yesterday by INSEE, the national statistics office, writes John Ridding in Paris.

The INSEE figures, which showed a 2.8 per cent fall in household spending on consumer goods in August, were compounded by a survey of business leaders. The survey, also by INSEE, showed that despite expectations of a slight rise in industrial output in September, consumer demand was expected to remain depressed.

French government officials and private sector economists believe a revival in demand, particularly in consumer spending, is the most important condition for a recovery in the economy, forecast to contract by almost one per cent this year in terms of GDP.

Consumer spending recovered slightly in the second quarter, rising by 0.4 per cent. But the impact of higher taxes on income, petrol and alcohol which took effect in July, appears to have prompted renewed weakness in expenditure last month. The fall in consumption in August included a fall of 7.8 per cent in durable goods. New car sales fell by 15.3 per cent in August, compared with July.

NEWS: INTERNATIONAL

Investors wary of the new South Africa

Mandela's call to lift sanctions will not spark a bonanza, writes Philip Gawith

AFTER three decades of isolation, South Africa can now re-enter the economic community of nations after Nelson Mandela's call for the lifting of sanctions at the United Nations last night.

While the normalisation of South Africa's international economic relations promises considerable benefits, there is little anticipation of a short term investment bonanza. A mixture of domestic political uncertainty, international distractions, sanctions legacies and practical obstacles will ensure that South Africa's rehabilitation is a gradual process.

In the US, the most vocal and influential proponent of sanctions, the most positive response is likely to come from Mr Mandela's most prominent supporters – namely Mr David Dinkins, the mayor of New York, Mr Mario Cuomo, governor of New York state and Mr Douglas Wilder, governor of Virginia.

All are expected to quickly follow Mr Mandela's lead and make a powerful case for re-engagement in South Africa, particularly to assist the black community.

Mr Charles Moses, executive director of the New York state governor's Advisory Committee for Black Affairs, confirms that the state has been working for 18 months on drawing up an International Partnership Programme (IPP), an initiative that will cover economic development, trade, education and support for small business.

"We want to try and help the African majority grow and increase its ability to govern," says Mr Moses.

An early response can also be expected from the IMF and the World Bank, which are impatient to get involved in lending to South Africa. South Africa is eligible for a $800m loan in terms of the IMF's Compensatory and Contingency Finance Utility, while the World Bank has also made clear that it stands ready to lend large sums in support of socio-economic development.

The Clinton administration, mindful of the political clout of the 43-strong Congressional black caucus, is expected to be supportive.

Expectations of the business community, however, are more muted.

Mr Jonathan Huneke, investment policy manager at the US Council for International Business, an industry association representing about 300 multinationals, believes they will re-enter South Africa "very cautiously, very quietly and very slowly".

Mr Huneke says there remains a "residual distrust and scepticism" about the ANC among his members, many of whom were "vilified" during the eighties for their ties with South Africa. Although he acknowledges a "metamorphosis on foreign investment, appreciating that they need to cater to the interests of business people", he says the ANC still has "some way to go" before businessmen are confident with its policies. Mr Huneke adds that investors also have many more opportunities in new markets – notably in Eastern Europe, East Asia and Latin America – which were not available when the sanctions period started.

The Washington based Investor Responsibility Research Center (IRRC) believes that investors will initially hold back from big investments, preferring to set up branch sales and marketing offices, or assuming direct control of a distributorship, while watching political developments.

Whatever foreign investment does flow is likely to focus on two areas in particular: spending on infrastructure and consumer goods. The reasoning is that a new government is likely to spend heavily on a social reconstruction programme, while the rapidly urbanising black population, with rising incomes, is targeted as a major future growth market for small ticket consumer items. The IRRC suggests cosmetics, clothing, footwear, prepared foods and non-prescription medications as likely consumer markets. It also indicates computer and software firms as potential beneficiaries.

'There remains a residual distrust of the ANC among businessmen'

New investors are likely to seek partners in the black community. This route has already been taken by Digital Equipment Corporation, and the UK firm Cable & Wireless which this week was part of a consortium awarded a cellular telephone licence.

Even if investors are keen to enter South Africa quickly, some will continue to face practical obstacles. According to the IRRC, 179 local entities (30 states, 109 cities, 39 counties and regional authorities and the Virgin Islands) maintain some sort of restriction in their investment, banking or procurement policies.

Although Mr Mandela has given notice that these should be rescinded, this won't take place overnight. Mr Bill Moses of the IRRC notes that most states have adjourned until next year and in some cases, most notably Texas, state legislatures don't meet until 1995. Cities, counties and public pension funds are also often bound by legislative comment and waiting periods.

In terms of portfolio investment, South Africa starts from a very low base. A study of 47 global emerging market funds by the UK group Micropal shows that as at 30 June 1993, only 0.07 per cent of their $6bn assets were invested in South Africa. By comparison, on 22 September, South Africa, by market capitalisation, represented 0.86 per cent of the Financial Times World Actuaries Index, measured in US dollars.

Mr Lloyd Pengilly of the New York brokers McIntosh Martin says there is relatively little foreign investment in South African stocks outside of mining. He says recent weeks have seen a lot of enquiries from US mutual funds about the South African market, but that this has not yet been matched by any significant flow of funds.

He stresses that a "terrific re-education process" lies ahead with most portfolio managers ignorant of the market. This is borne out by a cursory examination of Nelson's Directory, the US investment bible, which does not list a single US analyst covering South African stocks.

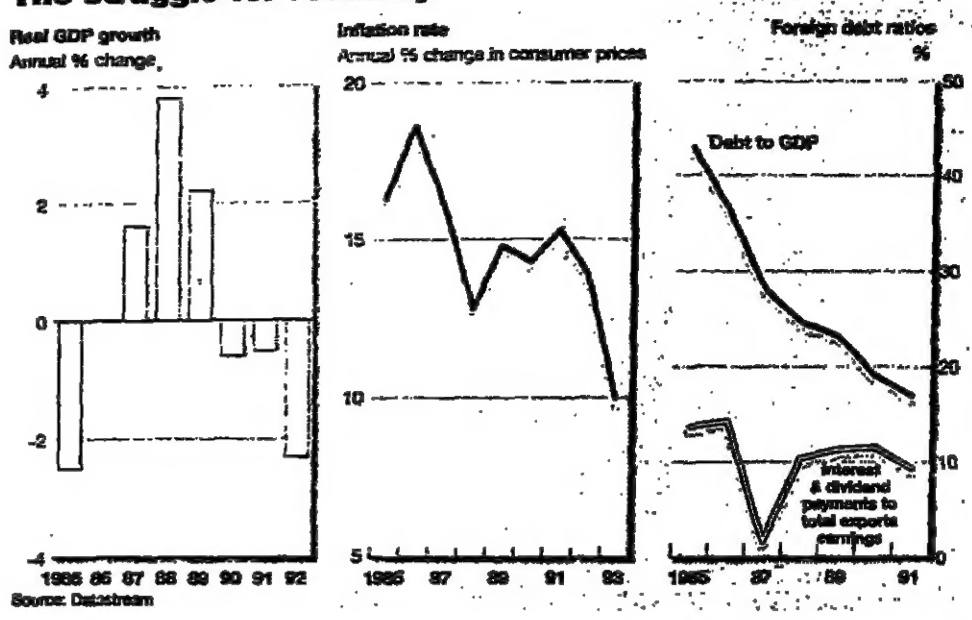
Mr Pengilly believes that "over time" there will be a flow of funds to South Africa. Wall Street observers believe important US securities firms like Merrill Lynch, Goldman Sachs, Smith Barney Shearson Inc and Lehmann Bros are likely to re-enter South Africa.

Sanctions against South Africa: 30 years of pressure

1963	• UN calls for voluntary ban on arms sales
1964	• India imposes total trade ban • Japan bans direct investment
1973	• Arab countries impose oil embargo
1977	• UN resolution calls for mandatory arms embargo
1979	• UK bans North Sea oil exports • Sweden bans new investment
1985	• UN Security Council calls for suspension of new investment and export guarantees; prohibition of krugerrand sales, nuclear contracts and sales of computer equipment for use by security services; restrictions on sporting and cultural relations • EC bans sales of arms, oil and nuclear co-operation • US bans computer exports to security services, nuclear technology exports, new loans (except those that benefit all races) and krugerrand imports. It also limits export assistance • Commonwealth bans sale of oil, nuclear fuels, material and technology, and computer equipment to security services. It also stops government funding for trade missions. • Japan bans computer sales to security services • France bans coal imports
1986	• Various countries ban agricultural imports • EC and Japan ban imports of iron and steel • US adopts Comprehensive Anti-apartheid Act, prohibiting imports of krugerrands, military equipment, coal, uranium, iron, steel, textiles and agricultural products, and exports to the South African government of computers, munitions, crude oil and petroleum.
1987	• US bans new investment and bank loans
1990	• UK lifts sanctions on new investment
1991	• US repeals anti-apartheid act, but 27 US states and 89 cities retain sanctions • Japan ends sanctions
1992	• Japan renews diplomatic links • Italy lifts oil embargo
1993	• Norway and Sweden lift sanctions • Mandela calls for end to sanctions except for arms embargo

Source: GATT

The struggle for recovery



Source: Datastream

Market forces were the power behind sanctions

By Philip Gawith in New York and Patti Waldmeir in Johannesburg

BLACK and white South Africans alike find it difficult to be dispassionate about the 30-year sanctions era, which ended with yesterday's call by Nelson Mandela to abandon the sanctions weapon.

In anti-apartheid circles, it is treated as self-evident that sanctions brought the economy to its knees and the ruling National Party to its senses; conversely, many whites believe they were either unnecessary or actually counter-productive.

The answer is that sanctions had different effects on different segments of the population, reinforcing the paranoia of the right while simultaneously spurring reform among those already committed to change; angering some blacks while boosting the morale of others; and while usually achieving some effect, often missing the intended target.

Viewed as a strategy aimed at bringing about a clear transfer of power from whites to blacks, sanctions cannot be said to have succeeded. But they were clearly a factor in the potent cocktail of forces which led to the demise of apartheid.

In an authoritative report for the London School of Economics, researcher Ms Merle Lipton concludes: "His (Mr F.W. de Klerk's) unexpected crossing of the Rubicon (in 1990) goes beyond any consideration of sanctions, which were not hurting enough to explain such a dramatic move." Mr de Klerk has simply recognised, as his predecessor Mr P.W. Botha had begun to do, that apartheid had led South Africa into a cul-de-sac from which it had to emerge to guarantee its survival.

Whatever the political impact of sanctions, it is clear that they had considerable psychological and economic effects: whether they were unavoidable or unnecessary, there can be no doubt that they were costly.

Tens of thousands of skilled whites left the country rather than accept the status of international pariahs, refusing to live in a society deprived of normal cultural and sporting exchanges. And even the most defiant supporters of apartheid have nonetheless shown obvious delight at being readmitted to the international sporting community since 1990. Indeed, many would argue that sporting and cultural sanctions were the most effective of all – not least because these measures had a clear and unambiguous impact, unlike economic sanctions whose effects are difficult to differentiate from normal market forces.

Ms Lipton argues that while sanctions imposed extra costs and difficulties for the South African economy, the country's economic problems "are neither unique nor solely due to sanctions. They are primarily due to market forces responding to adverse perceptions of its economic and political problems."

Indeed, markets and not politicians imposed the harshest sanctions of all: the shortage of international loan capital which has so severely constrained economic growth since the mid-1980s. The crisis was provoked in 1985 when, against a background of internal unrest, several US banks refused to roll over existing loans to South Africa, precipitating a liquidity crisis which forced Pretoria to declare a unilateral moratorium on debt repayments. It has since been repaying those debts under a scheme agreed with creditor banks, reducing its debt to 15 per cent of GDP at the end of 1992 from 43 per cent in August 1985.

This has come at a price, however: debt had to be repaid from the country's savings, leading to a net capital outflow of more than R40bn. Not only could this money have gone towards much needed domestic investment, but the need to repay debt has forced Pretoria to constrain growth to avoid sucking in imports which would endanger the current account, which had to remain in surplus to cover repayments.

In terms of direct investment, both domestic and foreign, the effects are difficult to quantify. Sanctions prompted uneconomic investment decisions from the public sector, including the decision to invest in a synthetic fuel industry to provide 30 per cent of fuel needs at well over the world market price. The R12bn invested in the Mossgas synthetic fuels project, for example, is 10 times the 1993/94 budgetary allocation for housing, an area of dire shortage.

Foreign disinvestment also imposed a burden, with hundreds of US and European companies pulling out. However, the effects were ambiguous: though many companies which wanted to remain were forced out by sanctions, over half are believed to have sold out at bargain basement prices which primarily benefited rich whites, and many retained non-equity links which made their withdrawal largely symbolic. Some job losses among blacks also resulted.

Trade sanctions were probably less effective: merchandise exports held up remarkably well during the sanctions era. Figures from the Reserve Bank (central bank) show that the physical volume of exports rose by 10 per cent a year from 1984-90 and from the mid-1980s onward, despite sanctions, growth in South African exports compares favourably with the overall growth in world trade.

This is partly explained by the fact that two thirds of exports were remarkably "sanctions proof", being strategic metals and gold. And though exports would certainly have been even higher without sanctions, their effect was not decisive.

Over time, the effect of the oil embargo also declined: local oil companies have been able to buy crude on international markets for some time, without paying an "apartheid penalty."

However much as South Africans disagree over the effectiveness of sanctions as a tool to inflict economic pain and reap political gain, they agree on at least one thing: they are heartily glad to be rid of them. They realise that the imperative now is to build the economy, not attack it for political ends. That, in itself, is progress.

ANC bid for deal with white extremists

By Patti Waldmeir in Johannesburg

THE African National Congress said yesterday it would intensify efforts to strike a deal with right-wing whites to ensure that they participate in next year's multi-racial elections and reduce the threat of right-wing violence.

The ANC and the white right-wing Afrikaner Volksfront have held a series of meetings in recent weeks to discuss right-wing demands for an Afrikaner homeland, but have made only limited progress.

"The desire by the Afrikaner Volksfront to have an area demarcated as a Volkstaat for Afrikaner people, where Afrikaners will be able to survive as a nation, was tabled for frank and forthright discussions," the two sides said yesterday in an unusual joint statement.

Mr Nelson Mandela, ANC president, has often said that the ANC is prepared to accommodate the demand for Afrikaner self-determination, by devolving many central government powers to a region where Afrikaners would have a significant presence.

ANC officials said privately they would be willing to draw up regional boundaries to maximise Afrikaner support in one region, probably in the Eastern Transvaal.

But Afrikaners would not be in the majority and would not control the government; there was no question of an independent ethnic state for Afrikaners.

But they hoped that such a region could allay Afrikaner fears of a black-dominated South Africa, by providing an area where white political power would not be completely diluted.

However, major differences remain between the two sides, with the Afrikaner Volksfront insisting that non-Afrikaners would hold an inferior form of citizenship in their proposed state, a demand which the ANC vehemently rejects.

Talks are at an early stage and have not yet focused on detailed maps of where the proposed state would be situated, or what powers it would exercise. The two sides also disagree on a definition of self-determination.

The gap between the two sides is likely to prove difficult to bridge, but officials from both the ANC and government see the effort to do so as crucial to avoiding civil war in South Africa.

The ANC is particularly keen to accommodate the Afrikaner Volksfront, the relatively moderate wing of the white right, in an attempt to split Volksfront members away from the ultra-radical Conservative party. The ANC is also trying to prevent a threatened alliance between the radical right and Inkatha.

Presidential contender flies home to Lagos

By Michael Holman, Africa Editor

THE battle for the leadership of Nigeria was set to resume yesterday as Chief Moshood Abiola flew back to Lagos to a hero's welcome to press for recognition of his victory in the country's annulled presidential poll of June 12.

News agencies reported that he was met at Lagos airport off a flight from Paris by a huge crowd of supporters who defied security arrangements aimed at limiting the size of the reception.

Thousands of people, many dressed in the green and white colours of his Social Democratic Party, lined the roads from the airport and cheered the waving Chief Abiola as he was driven the two miles (three km) to his Ikeja home.

He made no public statement at the airport but his return is likely to boost the tempo of the crusade to have him sworn in as president.

"All we are saying is give M.K.O a chance," his supporters sang to the tune of the popular John Lennon song, referring to Chief Abiola by his popular nickname.

"M.K.O. is our man!" the crowds chanted, waving placards saying "We want M.K.O. for president."

In a statement marking the end of a self-imposed six week exile and released in advance of his departure yesterday morning, Mr Abiola called for a "peaceful" response to his return.

"Nothing should be done to wipe off the positive achievement," of the June elections, said the statement.

In spite of the warm welcome in Lagos, the heart of Mr Abiola's political stronghold, many of his supporters fear he has missed the boat. A general strike failed to shift the new military-led government which succeeded General Ibrahim Babangida from its plans to hold fresh elections next March.

Many of Mr Abiola's supporters have also been disappointed by his extended absence, which began when he fled Lagos in his private jet, fearing for his life. He nevertheless has the capacity to revive protest in the south, where his support is considerable.

Mr Abiola's tactics, however, will depend on the outcome of recent exchanges between him and the interim government led by Chief Ernest Shonekan.

In a statement sent to the Financial Times shortly before his departure, Mr Abiola said that he had delayed his return in response to a request by Mr Shonekan, relayed by the British foreign office.

Mr Shonekan had been expected to come to London for discussions "and return with me to Nigeria", said Mr Abiola. "Unfortunately this promise remains unfulfilled, and the suspicion now seems justified that the delay is designed to keep me out of Nigeria."

Victor Mallet observes Cambodia's transition to democracy

In the court of King Sihanouk

NORODOM Sihanouk was restored as King of Cambodia after signing a new democratic constitution yesterday, formally bringing to an end one of the UN's most expensive – and most successful – peacekeeping mandates.

The 70-year-old monarch, perched on a throne six feet above the ground, took the oath of office under the chandeliers and painted ceilings of the glittering throne room in his palace overlooking the Mekong River.

"I swear henceforth to abide by the constitution and to respect all the interests of the Cambodian people," he told the assembled diplomats, Buddhist monks, and members of parliament wearing blue silk pantaloons and white jackets.

The ceremony was the culmination of a two-year, $3bn UN operation to bring peace and democracy to Cambodia after more than two decades of war.

King Sihanouk ended the mandate of the UN Transitional Authority in Cambodia (Untac) by appointing the leaders of a new government: the senior prime minister is his son Prince Ranariddh, whose royalist Funcinpec party won the most seats in a UN-organised election in May; Mr Hun Sen, one of the leaders of the previous communist administration, is the junior prime minister.

Yesterday was the occasion for mutual back-slapping, with the UN praising the king and the king praising the UN.

"Cambodia is a striking demonstration to the world that an intractable conflict can be resolved, and seemingly irreconcilable views can be reconciled," Mr Yasushi Akashi, the Untac chief, told a crowd of thousands in front of the palace.

"Cambodia will thus stand as a model and a shining example for other UN member states," he said in an address from the balcony.

Many Cambodians, however, fear that the coalition government of royalists and communists will prove to be unstable, and they doubt whether the whimsical King Sihanouk will be able to confine himself to the ceremonial role of constitutional monarch.

King Sihanouk, who was protected as usual by North Korean bodyguards armed with ill-concealed pistols, was first given the crown by Cambodia's French colonial rulers in 1941. But he resigned the throne after independence to enter politics in 1955, and was overthrown in a 1970 coup d'etat.

In a speech from the palace balcony, the king quoted Tito and de Gaulle to support his claim that his regime in the 1960s was a golden age of progress for Cambodia, but he is remembered as much for his brutal treatment of political opponents as for anything else.

The success of Untac and Cambodia's political factions in holding an election and establishing the new constitution is overshadowed by the daunting and barely begun task of rebuilding one of the world's poorest countries.

At least King Sihanouk and his courtiers could be cheered by the sight of about 100 defectors from the Khmer Rouge among the soldiers parading in front of the palace.

The Khmer Rouge, the extreme left-wing guerrilla organisation blamed for the deaths of 1m Cambodians when it ran the country between 1975 and 1978, continues to harass the government from its strongholds in northern Cambodia, but about 1,300 demoralised guerrillas have surrendered since the election in May.

Prince Ranariddh, on walkabout in the crowd with his father, hugged some of the former Khmer Rouge fighters and told reporters: "Please don't call them any more rouge or blue or yellow. Now they are back in the national community."

A humbled Mrs Imelda Marcos prays after being sentenced to 18 years' prison for corruption. She is to appeal. Associated Press

China moots threat of early Hong Kong takeover

By Simon Holberton in Hong Kong

CHINA yesterday raised the political temperature over Hong Kong's political future when it published Deng Xiaoping's hitherto secret instructions to the Chinese leadership on Hong Kong, including the threat to take over the colony before 1997.

The meeting comes as hopes are fading in Hong Kong for a Sino-British deal. China has failed to respond to a compromise offered by the UK, and Hong Kong government officials say the two may be weeks away from breaking off dialogue unless Beijing relents.

Publication of Deng's Hong Kong policy comes a week before the foreign ministers of Britain and China meet in New York to review the progress of bilateral talks about the colony's constitutional development. The 12th round of talks starts in Beijing tomorrow.

Most observers saw the publication of Deng's thoughts in the context of next week's meeting rather than as China's response to losing its bid to host the Olympics in 2000, although China was angered by Britain publicly opposing the award of the Olympics to Beijing. Publication was carefully co-ordinated, suggesting that China planned it before it knew at 3.30am Beijing time that it has lost its bid.

Deng's instructions were splashed across the front pages of the main Communist party newspapers throughout China. Hong Kong's two pro-Beijing newspapers also gave them front page treatment.

Mr Chris Patten, Hong Kong's governor, sought to play down the significance of Deng's instructions. He said they predated by two years the Sino-British Joint Declaration "which guarantees Hong Kong's way of life for 50 years after 1997."

Yesterday was 11 years to the day when Deng met Mrs Thatcher, the former prime minister, to discuss the transfer of the colony to China. His instructions, titled "Our basic position on the Hong Kong problem", were the record of the conversation he had with her on September 24, 1982.

He told Mrs Thatcher that China was interested only in three issues: the question of sovereignty, how China was to administer Hong Kong after 1997, and ways of co-operating with Britain to prevent "upheavals" in the colony before its return to China.

Deng said that in the event of "serious upheavals" China would make other arrangements for the early recovery of the colony.

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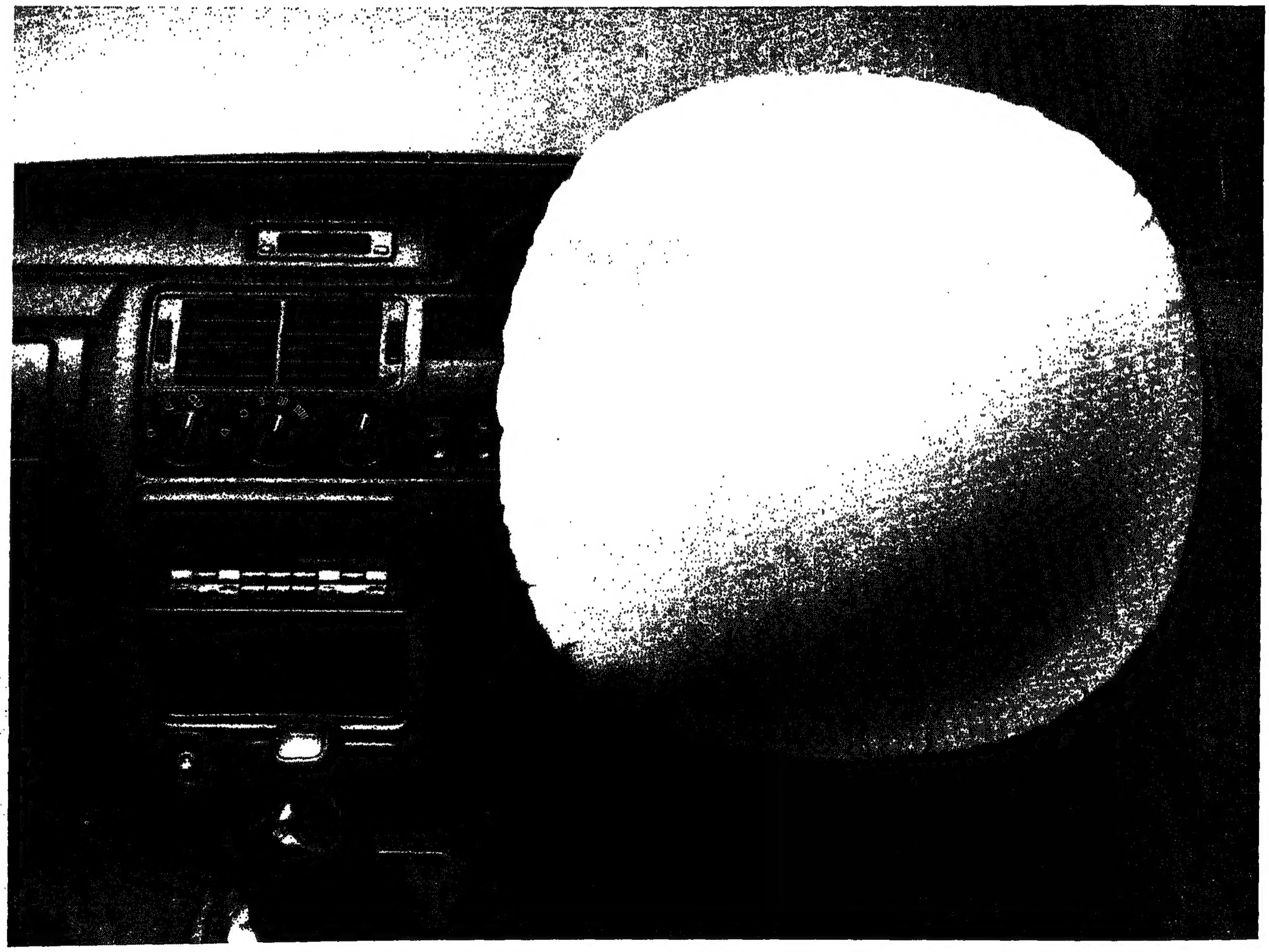

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Kuwait warned it may lose tax immunity

By Robert Peston in London and Peter Bruce in Madrid

KUWAIT has been warned that it is in danger of losing its valuable sovereign immunity from taxation in the UK by one of its most distinguished and longstanding UK advisers, Lord Shawcross.

The former Attorney General, who is an adviser to the Kuwait Investment Office, the emirate's international investment arm, gave the warning in a letter he wrote over the summer to a senior member of Kuwait's ruling Al-Sabah family.

The KIO is believed to have made annual tax savings in the UK of at least $1bn a year over the past decade as a result of being given sovereign immunity from taxation.

The Financial Times disclosed yesterday that Kuwait may have abused this immunity by receiving more than £600m of tax refunds on its $1.7bn investment in BP. According to the testimony of a former senior Kuwaiti official, the investment was made by the Kuwait Petroleum Corporation, which is not entitled to sovereign immunity.

At the time the BP shares were bought, in 1987 and 1988, Kuwait said that they had been purchased by the KIO on behalf of the state investment fund.

Following the FT's disclosures, an Inland Revenue official said yesterday: "If allegations of tax abuse are brought to us, we will investigate."

Mr Gordon Brown, shadow chancellor of the exchequer, yesterday wrote to the chancellor, Mr Kenneth Clarke, saying the Inland Revenue had been making an "over-generous and overlax interpretation of sovereign immunity", which was "costing the exchequer and the British taxpayer millions".

There is no suggestion that Lord Shawcross was aware that the BP investment was made by the KPC. His letter warns about the possible loss of sovereign immunity because of concerns that damaging disclosures are likely to be made during Kuwait's legal action against former KIO managers related to big losses on Spanish investments.

"The publicity attached to the case would be harmful," the letter says. "At the least it must raise questions as to the adequacy of the control and audit system exercised by Kuwait over the KIO, which permitted . . . alleged crimes to take place. This in turn would suggest that some of the defendants . . . were committing crimes of which the Kuwait government was unaware . . . This would, I think, lead the British government to reconsider the status and activities of the KIO in the United Kingdom." Lord Shawcross's associates said he refers to KIO's tax status.

Mr Brown also said there was a case for withdrawing the KIO's right to sovereign immunity, which is normally withheld from state agencies such as the KIO if they act in a "commercial" manner. "Quite clearly the KIO was working in a commercial way," Mr Brown said.

Hurd denies 'crisis' view

By David Owen

THE CONSERVATIVE party is gradually "coming together" on Europe, Mr Douglas Hurd, the foreign secretary, said last night, asserting there was no "crisis" at the centre of government.

Speaking on the day Mr John Major, the prime minister, used a magazine article to set out his European vision, Mr Hurd told Tory loyalists in Oxfordshire that the party was starting to look to Europe's future rather than raking over the past.

This was part of a process in which British politics was returning to normal after the "horrors" of the past 12 months, Mr Hurd said.

"Normal includes plenty of problems but no crisis . . . Normal includes the chancellor of the exchequer setting about preparing his Budget in an orderly way."

Initial Euro-sceptic reaction to Mr Major's article – in which he ruled out a British return to the European exchange rate mechanism in the strongest terms yet – belied Mr Hurd's remarks, however.

Mr Nicholas Budgen, Tory MP for Wolverhampton South West, dismissed it as calculated "manoeuvring" in the run-up to next month's Conservative party conference.

The government was "simply working on a different system leading to fixed exchange rates".

Mr Major was making a "shrewd attempt to try and manage public opinion at the Tory party conference – but it's nothing more than that".

Mr Bill Cash, the arch Euro-sceptic MP for Stafford, said there was nothing in the prime minister's words to suggest he had vetoed a return to the ERM.

"The move towards monetary union is clearly laid out in the Maastricht treaty," he said.

Mr Major's article was widely portrayed as a British attempt to pre-empt further discussion of economic and monetary union at the special EC summit planned for next month.

His advisers hope it will help to marginalise the hard-right backbenchers who have threatened to force a leadership election in the autumn.

From businesswoman to watchdog

David Lascelles and **Hugo Dixon** profile the new gas regulator, and assess her task

Ms Clare Spottiswoode may need all her reputed intelligence, toughness and charm

MS CLARE Spottiswoode, the new director-general of Ofgas, will be "reading herself into the subject" before she makes any public comments, the Department of Trade and Industry said yesterday.

That could be quite a task. Apart from the 1,000 pages of the recent Monopolies and Mergers Commission report on the gas industry, she will have to familiarise herself with the short but tempestuous history of Ofgas' relations with British Gas.

But she arrives in the job with a reputation for intelligence and toughness, as well as an ability to charm – all traits that she will need in the tricky period ahead.

A Cambridge graduate in mathematics and economics, she began her career as a Treasury economist but soon left to run her own business, selling gifts and publishing computer software. She sold her company in 1988, since when she has been involved in a number of activities, including working on the government's deregulation initiative.

Not, at first sight, the most obvious set of qualifications for a gas industry regulator. But few of the UK's utility watchdogs had close connections with the job beforehand.

What counted strongly in Ms Spottiswoode's favour was her entrepreneurial flair: regulators these days are supposed to understand business.

The toughest part of her job will be to succeed Sir James McKinnon, the hard-hitting Scottish accountant whose relentless assault on British Gas provoked the monopoly inquiry, and a virtual breakdown in relations between Ofgas and British Gas.

So infuriated was British Gas by his behaviour that it called on the MMC to curb his powers, accusing him of manipulating the press and engaging in devious practices.

However, the worst of that may now be past. Sir James said yesterday that the atmosphere was much improved. "It's quite different now," he said. "British Gas are much more willing to co-operate." There was an acceptance at British Gas of the need to change.

Ms Spottiswoode's arrival should therefore give Ofgas and British Gas the opportunity to begin their relationship afresh, though it will be interesting to see how a female regulator is received in the very male bastion of British Gas' Rivermill House headquarters.

The exact nature of her role will depend on how far the government goes in accepting the MMC's recommendations. These called for the break-up of British Gas by 1997 and the abolition of its monopoly in the domestic gas market within five years after that.

Even if the government only accepts part of these measures, Ms Spottiswoode will be heavily involved in the future reshaping of the gas industry.

One of her main jobs will be to design a free market in gas where new suppliers can set themselves up in competition with British Gas.

This will be an enormously demanding task, requiring a delicate balance to be struck between market forces and the need to protect consumers' rights.

If the government went the whole way, she would also have to oversee one of the largest company break-ups ever seen in the UK.

Lloyd's upbeat on corporate capital

By Andrew Jack

PROPOSALS FOR the introduction of corporate capital to the Lloyd's insurance market have already generated sufficient interest from potential sponsors to meet the market's demands for the coming year, it emerged yesterday.

Lloyd's said it was aware that at least 12 groups were considering underwriting in the market in 1994.

The total value of the capital on offer if all these proposals were to be implemented is about £1bn.

That compares with Lloyd's calculations of the potential for corporate capital of £500m-£1bn for next year, which would allow for an underwriting capacity of twice that level.

The assumptions are based on total estimated underwriting on the market of £7.5bn in 1994, compared with £8.8bn this year.

Corporate capital would be able to benefit from the rules of limited liability suggested for the first time under the Lloyd's business plan. Most of the proposals have been in the form of investment trusts. It contrasts with the unlimited liability to which Names – individuals whose assets underwrite the market – are subject.

"We are pleasantly surprised with the level of interest," Lloyd's said yesterday. "Now we've got to see whether they will put their money where their mouth is."

Further details of interested groups are expected next week. But none is likely to request formal approval from Lloyd's until after the corporate capital proposals have been approved by Names.

Mr David Rowland, chairman of Lloyd's, wrote to all Names earlier this week seeking their support for the proposals at an extraordinary general meeting on October 20.

Many Names – particularly those who have had to cease underwriting because they have become insolvent – are concerned about the implications of corporate capital.

But a letter sent out yesterday by Mr Neil Shaw, chairman of the Association of Lloyd's Names, the biggest Names' group, urges members not to assign proxies to the chairmen of the action groups involved in litigation against the insurance market, who are likely to vote against.

It calls on Names to make up their own minds and says it will provide further recommendations based on independent advice before the meeting.

200 jobs shed at UES Steels

By Andrew Baxter

UES STEELS, part of the UES Holdings joint venture between British Steel and GKN, plans to close its steelmaking plant at Templeborough, Rotherham, with the loss of at least 200 jobs.

The company yesterday blamed continuing European overcapacity in recent years for the shutdown.

It also said scrap and electricity prices had risen much faster than inflation, and it was unable to recover the extra costs by raising prices because of market conditions.

The Templeborough plant, which employs 260 people, produces continuously cast steel billets for re-rolling within UES Steels and by outside customers.

It will close at the end of this year and production will be transferred to UES Steels' two larger plants at Aldwarke, also in Rotherham, and Stocksbridge, near Sheffield. Depending on market conditions, the transfer might create between 40 and 50 jobs, UES said.

"This necessary step is being taken in order that UES Steels can retain its present position as a leading European producer and as a competitive source of engineering steels for UK manufacturing industry," the company added.

The engineering steels produced by UES are used in the automotive industry as forgings for crankshafts and gears. The steel is also re-rolled into bars that are machined to make other automotive parts.

Although car sales in the UK are rising, the continental European market remains depressed. UES said about 45 per cent of its steel sales went to the continent.

The closure at Templeborough will reduce employment in UES Steels to about 4,000 by the end of this year, compared with about 6,700 four years ago.

The parent company, UES Holdings, was known as United Engineering Steels until 1991.

Power companies praised

By David Lascelles, Resources Editor

ELECTRICITY companies were patting themselves on the back yesterday after receiving high marks for behaviour from Professor Stephen Littlechild, the industry regulator.

Prof Littlechild's annual report on customer service showed that companies failed to meet his standards in only one out of every 1,053 cases, compared with one out of 770 the year before. Complaints decreased from 16,679 to 15,521.

The regulator said he was pleased companies were coming up to standards and providing better service for customers.

He added that he had set even higher service standards for 1993-94, and had doubled the penalties for failure.

London Electricity claimed the report showed it gave its customers the best electricity service in the UK, with a failure rate of 1.6 per 10,000 services compared with a national average of 9.5.

Midlands Electricity said it was providing a better service and the lowest electricity bills in England and Wales. Mr Mike Hughes, chief executive, said his company's overall targets for service were now the highest in the country.

Companies with the lowest failure rates included Seeboard, Southern and Eastern. Those with higher rates were Hydro-Electric, South Western and East Midlands.

ELECTRICITY SUPPLY STANDARDS 1992-93

Companies	Failures per 10,000 services
London	1
Seeboard	3
Southern	3
South Western	30
Eastern	3
East Midlands	20
Midlands	12
SWALEC	15
Manweb	15
Yorkshire	4
Northern	5
Norweb	4
Scottish Power	14
Hydro-Electric	35

Source: Offer

Plan for wide phone network

By Andrew Adonis

HUTCHISON Microtel, the UK cellular mobile phone operator, yesterday claimed that the network it plans to launch next spring will cover 70 per cent of the UK's population by the end of 1994.

Mr Malcolm Way, Microtel's managing director, said that by the time of the launch the company would have spent £350m on its network, more than twice the current investment in Mercury's One-2-One. It plans to have invested more than £700m by the end of the decade.

One-2-One's network covers only the London region, although it will extend further into the south-east next year. Hutchison Microtel's network uses the same Personal Communications Network technology as One-2-One.

Mr Way warned that, despite Mercury's strong pitch for the consumer market, a mass market for mobile phones would not be achieved easily. "There is still a long way to go before consumers are made aware of, and comfortable with, the concept of a convenient and affordable mobile telephone."

Microtel's parent company, the Hong Kong conglomerate Hutchison Whampoa, emphasised earlier this summer its determination to concentrate on its core businesses of infrastructure and property in Hong Kong and China.

However, no buyer has yet emerged for Microtel and the company said that a change of ownership would be unlikely to affect its building and launch plans.

● The government has awarded three new licences to provide telecommunications services.

The companies gaining the licences are ScottishPower Telecommunications, a subsidiary of Scottish Power, Torch Communications, a joint venture between Yorkshire Electricity and Kingston Communications, which operates a network in Hull, and MFS, a subsidiary of a US business telecommunications company. The companies plan to provide services in limited areas.

Cumbria wins first inward investment from Far East

By Chris Tighe

CUMBRIA has won its first inward investment from the Far East, the Northern Development Company and the West Cumbria Development Agency announced yesterday.

Sammi (UK), a wholly owned subsidiary of Korean audio speaker manufacturer Sammi Sound Technology Corporation, is taking over a former shoe factory on the Lillyhall industrial estate near Workington.

The £1.6m project, won against competition from Germany and Turkey, will initially create 67 jobs. The factory, due to begin production next spring, will assemble and manufacture a range of speakers.

Of the 20 Korean manufacturing plants already established in Europe, seven are in Britain. Three of these, Samsung, Goldstar and Inkel, have settled in north-east England with NDC help.

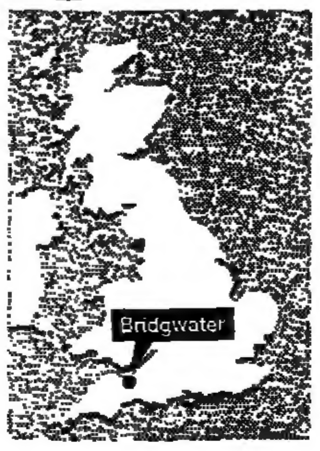
The NDC and WCDA hailed Sammi's investment as a turning point for Cumbria, which has been hampered by poor communications links in its fight for inward investment. "It's highly important, it's a tremendous morale boost," said Mrs Barbara Stephens, WCDA's operations director.

She believes it would stimulate further interest in West Cumbria from the electronics sector.

However, she said that Workington's Development Area status, under which Sammi's project has been granted regional selective assistance, has since been downgraded under the new assisted areas map to intermediate ranking.

Ashdown's heartland troops remain unconvinced

As the Liberal Democrats finished their annual conference this week **Roland Adburgham** visited the party's stronghold area of south-west England. He spoke to a cross-section of voters in the Somerset town of Bridgwater to gauge their views on the performance of the party



NEAR Bridgwater in Somerset the battle of Sedgemoor was fought in 1685, and the town's pub names such as Cross Rifles, Volunteer Arms and the Rebels' Retreat keep the memory alive.

The town is as good a place as any from which to view the ebb and flow of British politics during the conference season.

A small cross-section of the more politically interested Bridgwater voters assessed the Liberal Democrat performance this week. All accepted that Mr Ashdown's message was that there was a "dangerous gulf" between the government and the governed in Britain. But the conference left most of the panel unconvinced that Mr Ashdown could turn protest into power.

Mrs Beatrice Forber, who lives in retirement with her lieutenant-colonel husband on the edge of the Quantock Hills, described the conference as "the best and most professional they've ever had – brimming with self-confidence". But it won't shake her support for the Conservatives.

"There are so many holes in their rhetoric," she said. "They only see the dream and not the long-term cost."

Mr Ian Weston, a former RAF pilot who runs InterWorld Travel, a Bridgwater travel agency, thought the conference dull. "There was a lot of rhetoric we've all heard before: 'We're on the verge of a breakthrough, come on chaps, one more push.' It hasn't happened before and probably won't."

Only the converted thought the party would move forward. Mr Hugh Barran, a Bridgwater solicitor who supports the Liberal Democrats, said: "Paddy Ashdown spoke very well. He used to speak in long-winded sentences, but now he speaks very well."

Mr Allan Challenger, a psychiatric social worker, was more sceptical. "On the surface he is the most attractive of the three leaders, but he is not a man of great principle. My impression of all the party conferences in the last four years is that they are very stage-managed."

Ms Glen Burrows, who works for the county social services and is a shop steward for Unison, the public services union, was even more dismissive. "Paddy Ashdown is prepared to sacrifice any principles for political power, which is typical of the Liberal Democrats," she said.

"When Mr Ashdown talks of his party's councillors behaving responsibly, it means accepting underfunding and cutting jobs. It means playing to the government's tune."

Mr Challenger thought it "a real trap" that the Liberal Democrats had to try to win votes from both Conservative and Labour camps. Like most of the others, he thought Mr Ashdown's attack on waste and council overstaffing was a sop to seek Tory votes. Mr Weston thought it was inconsistent with some Liberal Democrat policies which would increase bureaucracy. "It is wholly electioneering," said Mrs Forber.

Mr Weston was also dubious about the Liberal Democrat bandwagon in Somerset in parliamentary terms. "People in Somerset are very parochial and there is a big gap in consciousness between a local council and parliament," he said. "I have an open mind on how I will vote," he added. "But, from what I've heard this week, I am not persuaded that the Liberal Democrats are sensible people to run the country."

Roland Adburgham will visit the same panel of voters to gauge their reaction to the Labour party conference.

Rebel Tory MP may resign

A SENIOR Tory Euro-sceptic will meet his local party today to discuss whether to leave politics, David Owen writes.

If Sir Richard Body resigned it would trigger a by-election which might narrow the government's precarious 17-strong parliamentary majority.

Sir Richard, MP for Holland with Boston in Lincolnshire, yesterday said he had received a "very tempting" offer from a publishing company to write books about Europe and agriculture.

Sir Richard, widely believed to be among the Tory rebels described this week as "barmy" by Mr John Major, the prime minister, acknowledged yesterday that he might resign. But he said he hoped a compromise could be reached enabling him to remain an MP and write books.

Sir Richard's majority was nearly 14,000 at the last general election.

Balfour Beatty wins M8 contract

THE SCOTTISH Office has awarded a £39m contract to extend the M8 motorway on the west side of Edinburgh. The contract has been won by Balfour Beatty, the civil engineering business of BICC, the cables and construction group.

The work, due for completion in February 1996, will connect the M8 motorway to the Edinburgh city by-pass. It involves the construction of 7.3km of road and 16 bridges, three designed by the contractor.

Business property sales show upturn

COMMERCIAL property sales are showing signs of recovery but there is unlikely to be any significant increase in prices in the coming year, said a market survey published yesterday by Christie & Co, the property valuers and surveyors.

The survey, based on market activity in the first half of the year, said opportunities for a recovery had been enhanced by interest rate cuts and increased capital investment.

Underground staff hold strike vote

RMT, the transport union, is balloting its members on the Central line of the London Underground on a possible 24-hour strike in support of a dismissed colleague.

Mr Pat Sikorski, a union activist, was dismissed after alleged threatening behaviour.

A preliminary hearing of an industrial tribunal this week made an order forcing London Underground to continue paying him until a final hearing of the case. That could be any time in the next year.

Lawyers get video links in chambers

SIR NICHOLAS LYELL, the attorney-general, yesterday opened Britain's largest set of barristers chambers – the first in the country to be equipped with video-link conference facilities.

New technology will enable the 57 barristers working out of Number 5 Fountain Court in Birmingham to speak to clients on remand without visiting prisons.

Mr Henry Wolton QC, the head of chambers, said the video links could lead to considerable savings in legal costs.

Cargo company sued by union

A CARGO company is being sued by the GMB general union over the death of two dockers in separate accidents at King George Dock in Hull.

Northern Cargo Services was prosecuted in both cases by the Health and Safety Executive. In the first it was fined £1,500 plus £1,000 costs, and in the second £3,000 plus £2,027 costs. Neither of the victims' widows has yet received any compensation. Mr George Hewson, the GMB's regional industrial officer in Hull, blamed "the lack of health and safety provision" at the company for the deaths.

Accidents in Britain's ports have increased since the deregulation of dock labour five years ago.

TUC choice

MR DAVID Feikart, former research officer with the National Union of Mineworkers, has been appointed to head the Brussels office of the Trades Union Congress, which will be formally opened on December 1.

هكذا من الأصل

Strike ballot looms on firefighters' pay

By Robert Taylor,
Labour Correspondent

TALKS in London to avert industrial conflict in the fire service this autumn failed to produce an agreement yesterday.

As a result, today's special delegate conference of the Fire Brigade Union is expected to endorse the calling of a strike ballot among its 49,500 members. The ballot would begin on October 4.

Speaking to 4,000 chanting firefighters outside the local authority employers' offices yesterday, Mr Ken Cameron, the FBU's general secretary, said he had "no doubt that 80 per cent of firefighters would back the strike call".

He said the "train was speeding down the hill" and a conflict, though tragic, would be hard to prevent. Union leaders are planning a series of one-day nationwide stoppages if they secure the approval of the members.

The result of the firefighters' ballot will be announced on November 1 and the stoppages would begin after seven days' notice to employers.

Mr Cameron said the employers had failed to change their bargaining stance since June. They had told the union they could not honour the firefighters' 15-year-old pay formula this year, but had to make a pay award in line with the government's 1.5 per cent public-sector wage limit.

Mr Laurie Conlan, chairman of the local authority employers, blamed the government for the threatened strike.

"We fully support the firefighters' pay formula. It has kept the peace for 15 years," he said. "It has never been our wish to suspend the formula. That has been imposed on us by the government.

"We have told the union their members will have the formula in 1994, come what may.

Mr Conlan added: "We have made an absolute commitment to them. We sympathise with the FBU, though we can't support any strike action. The union is going to tremendous lengths to avoid a dispute."

He said the employers were to talk to Mr Michael Howard, home secretary, on Tuesday, and intended to hold a further negotiations with the union in Glasgow next Friday on the eve of the strike ballot.

Firefighters outside the talks said they were ready to compromise with a staged deal if it gave them 1.5 per cent in November and the rest of the increase calculated by the pay formula next April.

Both sides believe that the actual sum of money proposed by the formula for this year would not be much above the government limit.

The formula is based on an updated and adjusted link to the upper quartile of male manual workers' earnings, which is compiled each April in the government's earnings survey. This year's survey is due to be published next Thursday.

FBU leaders believe public opinion is on the firefighters' side.

More than 250,000 people have signed a petition backing their demand for the full implementation of the pay formula this year.

Ashley Ashwood

Firefighters demonstrating outside the local authority employers' offices in London yesterday where no agreement was reached

Scots urged to take the blame

SCOTS WERE urged yesterday by Mr Alex Salmond, leader of the Scottish National party, never to blame the English for what was wrong with Scotland, James Buxton writes.

In his main address to the party's annual conference at Dunoon, Strathclyde, Mr Salmond said Scots had the ability at every general election to change the face of Scotland.

He said: "We should be angry at the government for what they are doing to Scotland. We should be angry at Labour for what they are failing to do. But let's make sure we never appear to blame the English or anyone else for Scotland's predicament."

Interest in ethics codes increases

A THIRD of large British companies have codes of ethics or are developing them, says a survey released yesterday by the Institute of Business Ethics.

The proportion of companies which have published codes is 28 per cent, the same level as two years ago. But the survey also detected a further 5 per cent of companies working on codes.

The codes typically cover topics such as environmental responsibilities, conflicts of interest, "whistle blowing", and receiving entertainment and gifts from suppliers.

Code of Business Ethics. Institute of Business Ethics, 12 Palace St, London SW1. £10.

Design Council to continue as usual

DESIGN COUNCIL services to industry will continue as normal while a review of its activities is carried out by a team under its new chairman, Mr John Sorrell, the council emphasised yesterday.

The organisation's size will be reduced in 1994 when much of its work is transferred elsewhere, mainly to the government's new Business Links network of advice centres.

Bank deputy in plea on jobs

By James Blitz,
Economics Staff

MR RUPERT Pennant-Rea, deputy governor of the Bank of England, yesterday issued a powerful plea for a reduction of unemployment in Europe. He said governments must tackle the problem through long-term reforms of trade and labour policy rather than by cutting interest rates.

In his first formal speech since taking office, Mr Pennant-Rea said western Europe was the only part of the industrialised world where the level of unemployment had progressively risen in the past two decades.

The deputy governor told a conference organised by the Italian Chamber of Commerce: "No-one, no European certainly, can take much comfort from economic conditions in Europe so long as 17.5m people unemployed remains part of the tally."

Mr Pennant-Rea acknowledged that tight monetary policy could be a reason for the continuing level of unemployment in some European countries. But he warned against thinking that high interest rates were the fundamental cause of the problem. Instead, he suggested addressing the issue by looking at microeconomic reforms in taxation, training and wage regulation.

Mr Pennant-Rea pointed to the need to continue liberalising trade policy, and warned against turning the European Community into a fortress against other trading blocs. He said: "To single out trade as a destroyer of jobs is perverse. It neglects the competitive dynamism that trade injects into every trading economy."

He also said reform was badly needed in labour market policy, in marked contrast to EC leaders who are committed to protective employment.

"There are many types of supply-side restraints," he said. "Europeans will have to tackle these restraints if we are to be as successful in creating jobs as the United States has been in recent years."

Labour plans tax reforms to raise £8bn

By David Owen
and Bronwen Maddox

LABOUR yesterday unveiled a series of tax reform proposals that it said could raise £8bn *over two years* without increasing the basic rate of income tax.

The party also claimed families were facing an extra tax bill of nearly £8 a week in national insurance contributions, excise duty and income tax from next April. This was in addition to the higher fuel bills that would result from the government's plan to impose value added tax on household fuel.

Labour labelled this the government's "double whammy", in ironic reference to the Conservatives' advertising campaign in last year's general election.

"Even the family on three-quarters of average income is hit by the Tory double whammy," said Mr Gordon Brown, the shadow chancellor.

Among seven proposed tax reforms, Mr Brown said the government could save £2bn over two years by ending the abuse of sovereign immunity whereby companies traded "under the umbrella of" national governments. He said at least a further £2bn could be saved by ending the "underpayment" of corporation tax.

He predicted water companies would pay "next to no corporation tax right throughout the decade" thanks to £7bn of tax allowances.

The Water Services Association, representing the 10 large water and sewerage companies of England and Wales, said last night that "water companies are subject to the same tax rules as any other company".

The companies can offset some investment against profits in tax calculations. Because they are engaged in a large investment programme, allowances have generally been greater than profits, the association said.

Mr Brown proposed saving another £1.25bn over two years by:

● preventing companies from paying dividends in shares instead of cash to avoid paying advance corporation tax;

● closing a loophole whereby capital gains tax and inheritance tax "interact", enabling some companies to claim double tax relief;

● not implementing the foreign income dividend for holding companies proposed by the government from November.

Further sums could be raised by retaining stamp duty on share transactions, imposing a levy on "excess" profits of privatised utilities, and accelerating the shutdown of business expansion schemes.

Cash addition to interim accounts urged

By Andrew Jack

COMPANIES should provide detailed information on their cash position in interim accounts, say recommendations released yesterday by the Institute of Chartered Accountants in England and Wales.

They should present in their half-year figures details such as operating cashflow, and financing and investment payments required in FRS 1, the cashflow statement which is mandatory for companies to include in year-end figures.

The guidelines were produced by a working party of the institute's financial reporting committee on behalf of the Accounting Standards Board. This was in response to recommendations by the Cadbury committee on financial aspects of corporate governance.

The guidelines go further than suggestions in the Cadbury report that companies might consider including some limited cashflow information in interim statements.

The working party says companies should provide a summarised balance sheet, including details of fixed assets, creditors, provisions and capital and reserves.

They should include basic profit and loss account information such as turnover, interest payments, tax and exceptional items as required by FRS 3, the profit and loss accounting standard. It recommends a combination of approaches, treating most figures for the half-year in isolation, but relating some to expected full-year results.

It is unclear how the guidelines will be enforced because the Financial Reporting Review Panel, the accounts watchdog, only deals with annual accounts. It is possible that the Stock Exchange may make amendments incorporating some of the recommendations in its official Yellow Book of listing requirements for quoted companies.

The proposals are being circulated for comments by November 22.

Smith faces the big test on union reform

David Goodhart reports on the leading issue at next week's Labour party conference

PASSION, intrigue and excitement will stalk next week's Labour party conference after an absence of several years. This is thanks to an ugly little acronym, OMOV, which has big implications for the party and the trade unions which created it.

The vote to exclude affiliated unions from the selection of parliamentary candidates at local level, in favour of one-member-one-vote, is a relatively minor constitutional matter in itself but one which has come to stand for much broader changes in the party-union connection.

It is the first big test of Mr John Smith's management of his party. If he loses the vote "there is a serious problem for his leadership", as one union leader put it yesterday.

The stakes are high. The votes may remain too close to call until they are cast on Wednesday morning. The union delegations, which account for 70 per cent of the votes compared with the constituency parties' 30 per cent, will by then have met for a second time and Mr Smith will have had a chance to sway them with his address on Tuesday.

The least that Mr Smith must hope for now is that there is no clear majority for any of the three main motions opposing one-member-one-vote. That would make it easier for the leader to impose a solution without a majority for the reform itself.

The main obstacle is the two general unions – the TGWU and the GMB - which between them account for nearly 30 per cent of the votes at the conference and which are estranged from the party leadership.

In the case of the left-led TGWU this is not surprising. In the case of the GMB, with its reputation for Labour loyalism and support for "moderniser" themes such as ending the union block vote, it is much more surprising and, according to fellow union leaders, down to one man – GMB leader Mr John Edmonds.

"Mr Edmonds has never really found a secure niche in the union movement and he had a particularly uncomfortable time at this year's TUC congress, being shunned by the people who are normally his allies and feted by the leftwing dinosaurs," says a senior official in the GMB.

Many reasons have been found for Mr Edmonds hostility to one-member-one-vote. Some say it stems from his union's belief that the proposal is the start of an attempt to push the unions out of the party. Others suggest it is a manoeuvre by Mr Edmonds to appeal to the dominant left of the TGWU with a view to winning the top job when the two unions merge in the next two years. Whatever the truth, the GMB's decision to oppose the reform caught the Smith camp by surprise earlier this year and threw their calculations into disarray.

Mr Smith had made clear his support for one-member-one-vote when he was elected leader, with overwhelming union backing, last year. Mindful of the trouble Mr Neil Kinnock had with the issue, he placed the subject into a union-party links committee last July.

"It was then that the Smith office seemed to take its eye off the ball. Too many people were heading back to Scotland for long weekends and there was a feeling that issues like OMOV would look after themselves," says one insider.

By the time this year's union conferences came round the damage had been done. The links committee produced an inconclusive report. The unions were feeling under attack and started to see one-member-one-vote as the thin end of the wedge.

Several key unions that normally would have supported the leader – the GMB, Nupe, the UCW, the MSF and Usdaw – passed conference resolutions against the reform. Many constituency parties, which had earlier backed it, withdrew support under the influence of disgruntled union officials.

In the past few weeks Mr Smith and Mr Murray Elder, his chief adviser, have come out fighting. "I've been lent on more effectively by the supposedly hands-off Smith than I ever was by the hands-on Kinnock", says one union leader who opposes the reform.

Mr Smith's powerful speech to the TUC on worker rights dispelled the idea that he was anti-union, and his acceptance that the unions should retain a corporate presence in the election of the party leader has increased goodwill towards him.

It may be too little, too late. But with some subtle compositing of motions, procedural manoeuvres, and a refusal by the TGWU delegation to back any anti-OMOV motion but its own, the leader could scrape home.

TGWU members below 1m

By Robert Taylor

MEMBERSHIP of the TGWU general union has dropped below 1m for the first time since the middle of the second world war, it was announced yesterday.

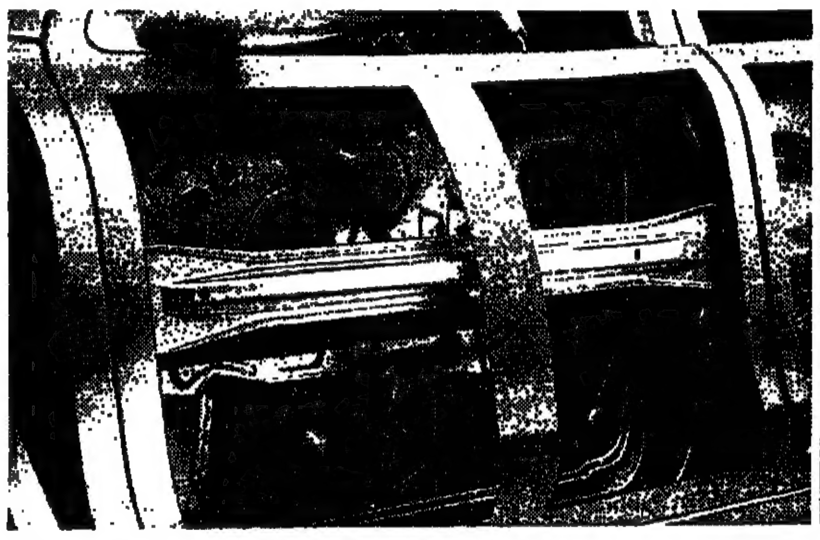
The union has 994,881 members, less than half the figure of 14 years ago when membership reached its highest total of 2.1m. Mr Bill Morris, TGWU general secretary, blamed the decline in membership on the contraction of employment since 1979 in private manufacturing, the former stronghold of the union.

The largest section of the union is now employed in the public services – 107,655 members – followed by food, drink and tobacco (102,077), and commercial services (97,312). Only 15,192 members are employed in docks, waterways and fishing, and 73,163 in the vehicle building and automotive sector.

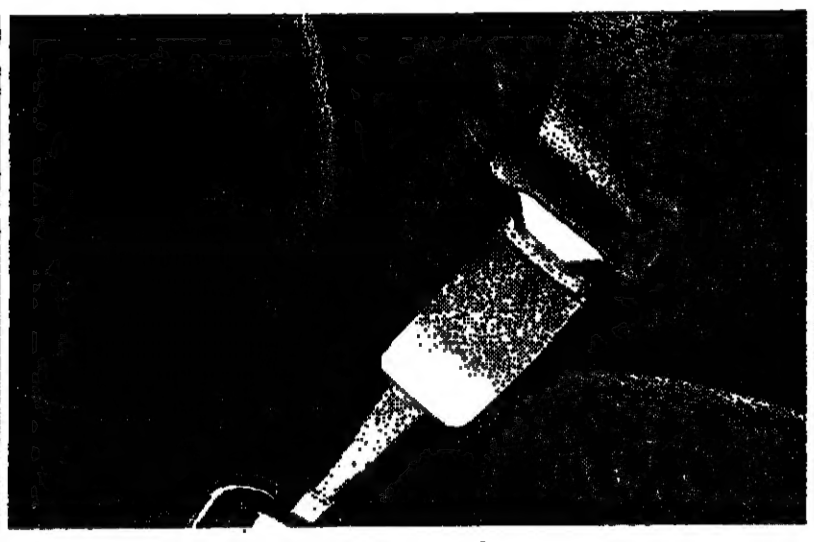
Nearly a quarter of the TGWU's members are in London and the south-east, with 165,506 in the Midlands and 127,270 in the north-west.

هكذا من الأصل

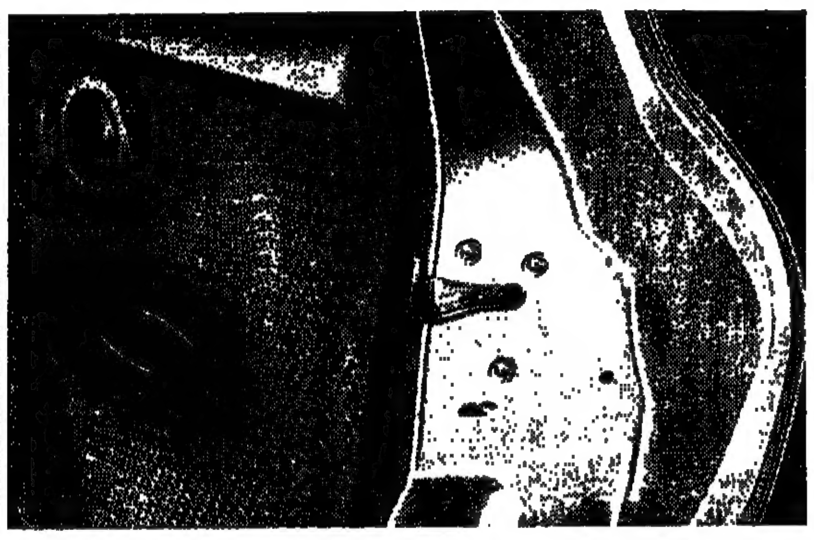
But there's much more to safety than seat belts and airbags.



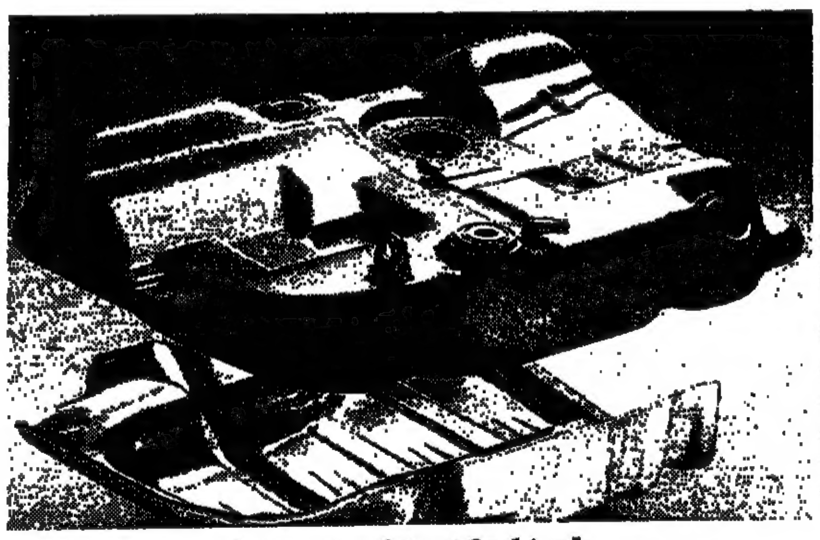
Side impact bars



Seat belt pretensioners

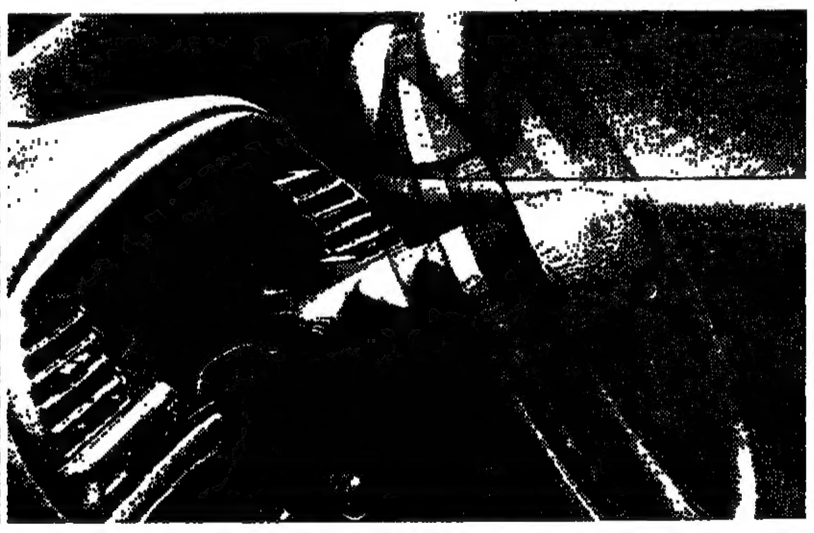


Burst proof locks

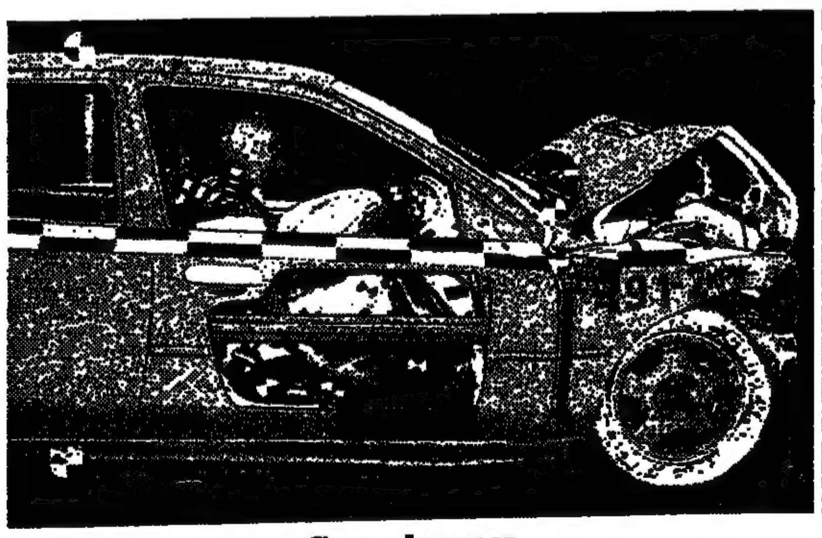


Impact resistant fuel tank

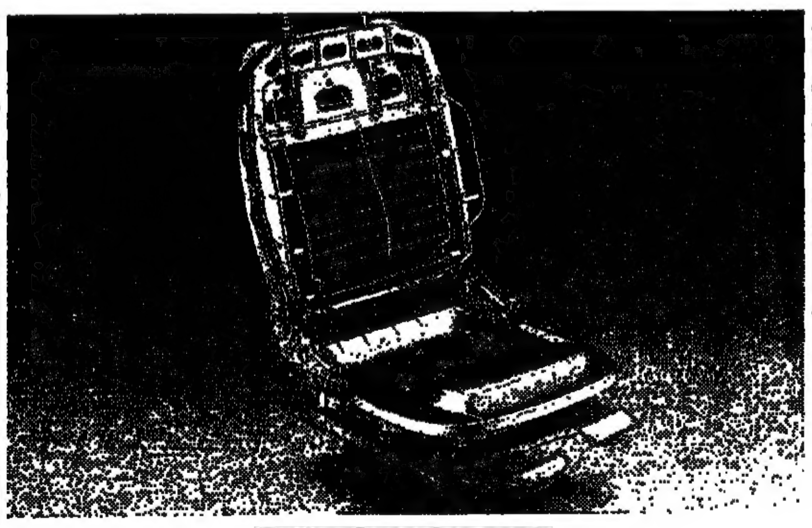
Driver and passenger airbags



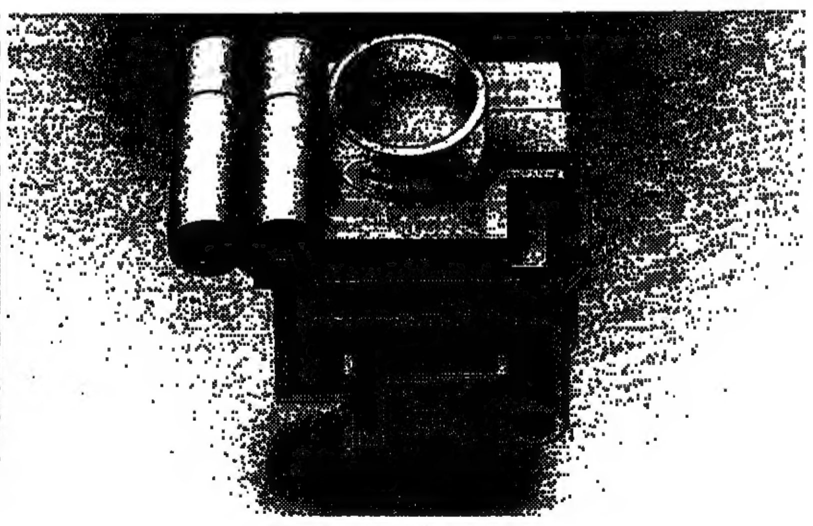
Safety steering column



Crumple zones



Anti-submarine seats



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FINANCIAL TIMES

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Saturday September 25 1993

New doctrine for the G7

THE REGULAR meetings of the leaders or finance ministers of the Group of Seven industrialised countries have promised much in recent years: co-ordinated growth strategies, exchange rate stability, debt relief or a Uruguay Round agreement. They have delivered almost nothing of value. Little wonder that seasoned observers argue that the G7 conforms to the Sinatra doctrine – they meet, talk and then do it their way. Some argue that disbanding the whole charade – the "strangers in the night" alternative – would make more sense.

G7 finance ministers are once again gathering in Washington this weekend. They do so at a time of great insecurity in the world economy, and not just because of Russia's present difficulties. Growth across the developed world is slow and expected to remain sluggish, while unemployment is very high and rising. The spectre of low-wage competition from east Asia and Latin America is feeding protectionist sentiments, while both the North American Free Trade Agreement and the Uruguay Round of trade liberalisation are under threat. Now, more than ever, the world needs the G7 to address these challenges, not simply meet and talk and hope they will go away.

But first, the G7 must decide what it exists for. To do so, it must recognise that its error has been to believe macroeconomic co-ordination was its primary task, a role at which G7 summits have proved singularly ineffective. Neither the US nor the rest of Europe has managed to persuade Germany to tighten fiscal policy over the past two years and thus allow its interest rates to fall. Nor do the US and the IMF look likely to persuade the rest of continental Europe to cut their interest rates to more sensible levels. Meanwhile, sluggish growth in both the US and Japan results, in part, from past co-ordination failures – the ill-fated attempt to manage the yen-dollar exchange rate in the late 1980s, and the failure of the rest of the G7 to persuade the US to bring its fiscal deficit under control earlier.

Developing world

Macroeconomics is not the G7's forte. Unless fiscal policy is also co-ordinated, monetary policy is best left to national governments. But this does not mean that the summits can serve no useful purpose.

Far from it. If only G7 governments could persuade each other, and their electorates, to lift their eyes above short-term difficulties, they would see that the medium-term outlook for the world economy is far from discouraging. For, while developed countries have foundered in recent years, growth across the developing world is accelerating. Latin America has recovered from its 1980s debt crisis, economic recovery is under way in Poland and imminent across the rest of central Europe, while even Russia may now be closer to reform than at any time in the past two years. Most important, China and India – together accounting for half the world's population – are now embracing market reforms. The IMF expects developing country growth to average 6 per cent a year between next year and 1998, faster than at any time in the past 20 years. Only crisis-ridden Africa is still out in the cold.

Global markets

This outlook is not assured. It depends on whether G7 governments, and their electorates, can adapt to a new economic order in which increasingly global markets in goods, foreign direct investment and information are gradually shifting the focus of energy and growth in the world economy towards the developing world.

The G7 must celebrate this change. It must make clear to developed country electorates that a vibrant and growing developing world is good for richer countries too. Trade is not a zero sum game from which high-wage developed countries inevitably lose. Open and growing economies in eastern Europe, China or Mexico are as much a source of new markets and prosperity for workers in Europe and America as sources of cheaper goods. That is why the G7 must ensure that the December deadline for a Uruguay Round trade agreement is met and that trade barriers continue to fall.

Of course, there will be a minority of losers: unskilled workers, whose relative wages will inevitably fall as developing countries grow and labour-saving technological change continues to develop. G7 governments must find ways now to help upgrade the skills of the poorly educated. Meanwhile, they must use growth-friendly polices to cut unemployment and thus combat short-term pressures for creeping protectionism.

In short, the G7 needs to replace the Sinatra "my way" doctrine. Its primary task is to find collective ways to tackle the medium-term structural and policy challenges that a growing and more egalitarian world economy throw up. In the words of the Johnny Mercer song, sung by Bing Crosby at the end of the second world war, the G7's gotta:

Ac-cent-tchu-ate the positive,
E-lim-my-nate the negative,
Latch on to the af-firm-a-tive,
Don't mess with mister in-between.

So roll over "ol' blue eyes". The Crosby doctrine's time has come.

Yeltsin has won the first round in his struggle, but can he hold Russia together, ask **John Lloyd** and **Leyla Boulton**

Iron fist and an iron glove

Handsome, bluff and straight, grey-haired but young for a politician, acting President Alexander Rutskoi played his part well. Late Thursday night in the Russian parliament, he took the podium and struck the right note, patriotic but not rabid: "This is not an assault on the deputies and the parliament: it is an assault on the citizens of Russia, on their children and grandchildren. Each of you stand before a choice – to defend, or not to defend, your rights, your statehood, your future."

But he spoke to one of the smaller audiences of his political life. Before him sprawled little more than half the full complement of the Congress of People's Deputies. Inside the White House, a few television monitors gave a fixed, fuzzy picture of the parliamentary chairmen on the podium, with the acting president on the rostrum, speaking into a void. No TV or radio channel broadcast his words (a sign of the still supine nature of the Russian media); his aides and colleagues had to scrounge time on reporters' mobile telephones to make calls, because the phones are shut off.

A number of leading centrist deputies – such as Mr Yevgeny Ambartsumov, head of the foreign affairs committee, and Mr Viktor Stepashin, former head of the security committee – had resigned their mandate rather than, when push finally came to shove, stand with parliament: two have already been rewarded with ministerial jobs. Many more simply did not come to Moscow, their enthusiasm for defending the present constitutional order deflated by having to pay their own air fares once their free travel privileges had been stripped from them.

That which, in a settled democratic country, would have been an outrage is here accepted by the majority as a welcome end to an empty confrontation, a natural response by the presidential power in the Kremlin to provocation. Even the deputies seemed so little possessed of a sense of themselves as a critical element in a civil society that they could neither invest the situation with great meaning nor make – so far – sensible strategic decisions on reversing their own descent into nullity.

Mr Boris Yeltsin, the real president in possession of the Kremlin, has clearly won this week's first round. Buttressed by the military, the interior and the security forces, assured of the allegiance of the central bank and the procurator general (the state prosecutor), his government actively supportive and busy with orders, plans and initiatives, he could leave the parliamentarians to stew while, yesterday, he conferred with his fellow Commonwealth heads of state on how best to bring their economies into line. The sudden deference to him is almost stifling: in a revival of pre-Gorbachevian Soviet practice, Moscow Spartak, current premier football league leaders, released a statement expressing their support for and trust in their president.

Mr Yeltsin acted as he did for reasons which are still opaque. What is clear is that the basic dilemma he faced – the inability to bring in a new constitutional and parliamentary order without ripping through the old one – had been long discussed, and the declaration of presidential rule foreshadowed as long ago as March, in a TV speech. More recently, he has been under strong pressure from the US and other Group of Seven leading industrial countries, together with the International Monetary Fund and the World Bank, to put order in the country's finances. Some senior western officials believe this pressure has been crucial in assisting him to make up his mind to act decisively.

Finally, he is a man of emotion and impulse. In speeches last weekend, both Mr Rutskoi and Mr Ruslan Khasbulatov, the parliamentary speaker, launched tirades of abuse at Mr Yeltsin – the latter going so far as to call him a drunkard. According to two separate presidential advisers, this was crucial in tipping the scale as to when to act – even as many of these advisers, including Mr Yegor Gaidar whom he last week reinstated as first deputy prime minister, pleaded with him to delay.

Thus he promulgated his fateful decree "on step-by-step constitutional reform in the Russian Federation". The central concept in this, as in his address to the people on Tuesday night, was that formal constitutional bars could no longer be allowed to inhibit the rapid creation of the mechanisms of a new state and economic order. To give this decree coherence, Mr Yeltsin had to represent the parliament as the single, malevolent hurdle to the country's progress. Aided by the media and a largely supportive, or unconcerned, populace, he has achieved this aim.

He is now in the position of many of his predecessors who led Russia, both tsars and commissars, who claimed and genuinely thought, perhaps, that their enlightened or patriotic action in suppressing internal dissent set the stage for a healthy development of society. They then found themselves in a position where fear of a resumption of dissent, coupled with the discovery that authoritarian government is simpler than the democratic kind, led them to justify their continuing tyranny as the only antidote to chaos.

"Yeltsin is appealing to Russians' fear of an interregnum without clear leadership," said Dr Jana Howlett, a lecturer in Russian history at Cambridge university. "For them the most terrible times have been associated with internal dissent rather than external attack."

Mr Yeltsin's special claim is that he will use his temporarily untrammelled authority to break, not confirm, the vicious cycle, of Russian history: that he will, finally, use state power to break the state of ever again having too much power. If he has round his neck the oppressive weight of the Russian past, he has at least the pacific example of his predecessor, Mr Mikhail Gorbachev, who gave up power with an ill grace but clean hands, and the pressure of foreign states whose open purses he still needs. He also has his own instincts, which to date have usually pushed him in a liberal direction.

Reuter

Yeltsin, the real president in possession of the Kremlin, has prevailed

Indeed, those closest to him worry more that he is too soft than that he will be too hard. Mr Victor Smoryagin, one of the president's advisers on regional policy, said this week that "with the president it can be less of the iron fist in the velvet glove than the velvet fist in the iron glove".

The presdient has before him a range of daunting barriers. The best he can hope for, or that his country can hope for from him, is that he will prevail in part, or at least not retreat. Nothing he has done this week has helped the economy – indeed, the one stable part of it, the rouble-dollar rate, has slipped, and the rouble is falling heavily once more. The signing of an economic union treaty yesterday with most of the leaders of the Commonwealth of Independent States is likely to put further strain on Russia's budget – if it works. He has wars on and inside his frontiers, terrible collapse in health and other vital services, an unparalleled rise of violent crime in big cities and a continuing fall in the output of oil, his one sure earner of hard currency. Yet his greatest task is elsewhere.

It is keeping the Russian Federation together. Mr Grigory Yavlinsky, the first-declared of the serious candidates who will challenge him for the presidency if elections are held next June, said yesterday: "Yeltsin is in something of the same position as Gorbachev was in 1991. He has the same problem – to stop the disintegration of the country. That disintegration is a reality, it is going on."

Republics and regions, having been given some autonomy from Moscow, have taken even more as they have sensed the centre's weakness. The "diamond state" of Yakutia (re-named Sakha) has simply withheld taxes. In neighbouring Irkutsk region, although the politicians have stepped back from that extreme, they voice the same resentments: "Moscow can no longer decide everything from so far away," says Mr Victor Ignatenko, head of the region's parliament.

This "freedom" does not mean greater economic freedom. In practice, the local administrative and political classes seek to recreate a socialist state in miniature – with ministries controlling various sectors and investment coming from state, not private, funding.

Thus the reformists in the federal cabinet find themselves thwarted as soon as their decrees leave their desks – by officials and politicians who find them a threat and who are no longer sufficiently frightened by Moscow's power to carry out its orders. The regions, ranked lower in the constitutional pecking order than the autonomous republics in Mr Yeltsin's proposed constitution, are demanding equality of treatment: the republics want to preserve their privileges; both want to keep their resources, and continue to receive subsidies. "Can we allow this [inequality]?" asks Mr Ivan Zelent, deputy chairman of the Irkutsk regional council. "If we say the republics are sovereign, then we need to divide everything up – army, budget, citizenship rights. Our country must be fully federal and not just in words, as now."

The worst scenario – which Mr Yavlinsky evokes – is of a disintegration so extreme that a kind of industrial feudalism overtakes Russia – with regional army commanders allying with politicians and business or criminal circles to declare full sovereignty, to set themselves up as "national governments" and to begin the systematic plunder of whatever riches the region/state offers. Something of the kind has already happened in Chechnya, in the Russian North Caucasus: while republics like Tatarstan, Bashkiria, Yakutia and others, along with regions which are now declaring themselves as republics to enjoy greater benefits, are now far down the path of self-rule – too far for rational coexistence within a federal state.

It is this process, above all else, to which Mr Yeltsin must put a stop. It will entail manoeuvres of a Machiavellian (and economically irrational) kind, coupled with the use of both the iron fist and the iron glove, and the promotion of Russia as once again a state within which the regions and republics could feel valued.

He has volunteered to carry the burden, saying he will again stand for the presidency even though it is, as he put it yesterday, "inconvenient". Yet it is not at all obvious that he is the man for the job ahead. He has taken further the great work started by Mr Gorbachev of destroying the communist system. The latter carelessly lost the Communist party, the system's political base, and Mr Yeltsin has largely torn the heart out of its economic mechanism, the central-command economy and the parliament linked to it. But to create a different order may be, for this very considerable man, to reach beyond his grasp.

MAN IN THE NEWS: ***Sir Leon Brittan***

Fearless skater on thin ice

Wedged inside the steamy, overcrowded lift, Sir Leon Brittan clutched his briefing papers and cast his eyes around for a friendly face. The word "victory" never passed his lips; but even at 3am in the morning he was still savouring his confrontation with Mr Alain Juppé, the French foreign minister and designated hard man in the Gatt talks.

After more than 12 hours of discussions in Brussels, Sir Leon could plausibly claim that he had resisted French efforts to force a renegotiation of the EC-US Blair House accord limiting farm export subsidies, thus keeping alive hopes of reaching a Uruguay Round agreement by the end of the year.

Sir Leon's clash with Mr Juppé during last Monday's EC "jumbo" foreign, farm and trade ministers council will go down as a classic confrontation between two men with matching egos, intellect and ambition. But the price of facing down the French government could be a further weakening of Paris's confidence in the Commission as an impartial negotiator with the US, increasing the threat of a French veto of a future Gatt deal.

"He was good," says one senior German official, "but maybe he was too good."

Criticism that Sir Leon may be too clever for his own good has dogged his political career. Memories of his involvement, seven years ago, in a clumsy campaign to discredit Mr Michael Heseltine, then UK defence secretary, have faded; but few will forget the verdict of a fellow Conservative MP at the time: "Too many brains, not enough common sense."

Sir Leon has learnt a trick or two since he arrived in Brussels in 1989 to take up the post of senior UK commissioner responsible for EC competition policy. His willingness to work hard and learn languages (he speaks German and French fluently) won him many admirers. Never shy of publicity, he revelled in his reputation as a fearless and eminently quotable "trust-buster".

His new job as the EC's chief trade negotiator, which he took up last January, is more challenging. Few could have mastered the Gatt dossier so quickly; but doubts linger about his political judgment or, more accurately, his political touch.

Sir Leon's relationship with Mr Mickey Kantor, US trade representative, has improved after a rocky start. "In the beginning, Mickey wanted to look dangerous, to show he was not afraid of breaking some furniture," says a US lawyer who knows both men. "Now they have come to respect each other and they share a common goal of getting a Gatt deal."

On Monday, this willingness to compromise will be put to the test. Sir Leon arrives in Washington saddled with a list of French-led demands for "clarifying" or "reinterpreting" Blair House. Technically, these demands do not amount to a formal renegotiation; but Sir Leon knows he risks provoking a further crisis within the EC if he comes back empty-handed.

During the all-night "jumbo" council in Brussels, Sir Leon urged ministers not to make public demands which could harden attitudes in Washington. In fact, he disclosed that he had already presented certain requests for modifying Blair House in an earlier private meeting with Mr Kantor. Concerns that ministers would tie his hands as a negotiator prompted his devastating intervention against

a Franco-German compromise text, a move that provoked Mr Juppé to remind Sir Leon that, as commissioner, he was merely a servant of the assembled ministers.

Sir Leon is now skating on thin ice. The question remains why he failed to respond to the hardening French attitude on Gatt in late August/early September, relying instead on Germany to act as mediator. Some believe that his inertia (which matched the passive UK government response) was born of a stubborn refusal to accept any part of the French government's case.

Sir Leon's belief in the power of rational argument is unshakeable. He has little sympathy for the emotionally tinged arguments in favour of preserving French farming. "Leon is an intellectual democrat. He will always listen to another point of view," explains a former colleague. "But if he thinks he is right, then he expects you to give in."

The tendency toward self-righteousness has led to skirmishes with Commission colleagues and the occasional bloody retreat. Earlier this year, Sir Leon pressed his colleagues to accept a trade liberalisation package with the former communist countries of eastern Europe, only to find himself isolated. Belatedly, he forged an alliance with his rival – Mr Hans van den Broek, the former Dutch foreign minister and now commissioner for external political affairs – and the two carried the day.

A close Commission colleague describes Sir Leon as a brilliant negotiator who suffers from being a loner. Too often, he misses the chance to win friends by letting others take the credit for political successes. "He lacks *Fingerspitzengefühl* [political touch]."

Mr Jacques Delors, president of the European Commission, is similarly ambivalent. He shares Sir Leon's enthusiasm for hard work, and admires his intellect. But Mr Delors has also been heard to grumble that Sir Leon is not very good at returning political favours, or as he puts it in French: "Il ne rend jamais l'ascenseur."

In the same spirit, Sir Leon would argue that he is very good at pressing the right European buttons. As he showed in yesterday's speech on European monetary union, he has broken with UK government policy. He does not share Mr John Major's scepticism toward Emu, nor is he openly hostile to the idea of further political integration. On Europe, he remains as close as ever to his former political mentor, Lord Howe.

There is a wider game plan. However remote a prospect, Sir Leon believes in his chances of succeeding Mr Delors as president of the Commission. He is preparing a book on Europe, and he is vigorously cultivating German support. A Gatt agreement would be a crowning achievement, not just for his own reputation but also for his candidacy for the top job in Brussels.

Lionel Barber

A priest in turbulent times

William Dawkins and **Robert Thomson** on the Japanese leader's first 50 days in office

Mr *Morihiro Hosokawa* has taken the priestly approach to prime ministership. At public gatherings, he stands with hands clasped before him, head slightly bowed, *and delivers small* sermons to his flock on the virtues of good government, the vices of regulation, and the need to confront Japan's wartime guilt.

His style is in striking contrast to his *sometimes arrogant* predecessors at the Liberal Democratic party, thrown out of office in a July election at which the public showed its desire for change from the party's habitual corruption and back*room intrigues*.

But altering Japan's political structure requires more than a congenial personality. The big question after Mr Hosokawa's first 50 days in office is whether he can change the *electoral system* and weed out corruption in government before the seven-party coalition collapses under the weight of personal and policy differences. Could this priest end up a martyr?

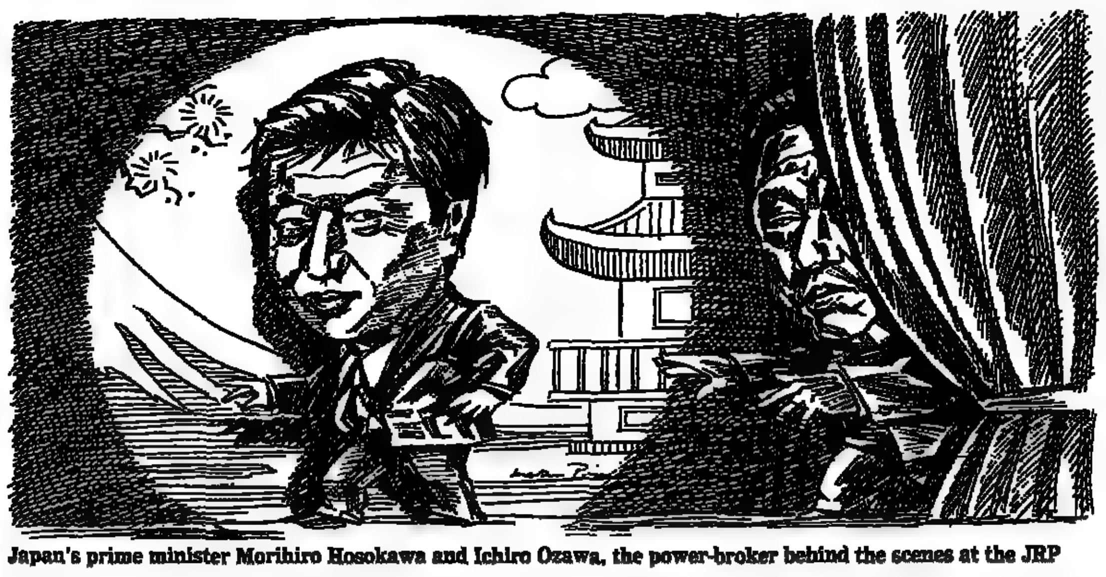
The coalition has already put together a small but honourable list of achievements. Mr Hosokawa has introduced a Y6,150bn (£38bn) package to stimulate the economy, overseen a cut in official interest rates, agreed on the framework of electoral reform, begun snipping away at regulations restraining economic freedom, and avoided the chaos predicted by some political observers.

Mr Hosokawa will *go to the US on* an official visit today knowing that about 70 per cent of Japanese, according to opinion polls, apparently like his style, if not his substance. President Bill Clinton, whom he will meet on Monday, might feel a touch envious that another provincial governor elevated to the national leadership has had such early success in office. Mr Hosokawa will explain to his US counterpart the thinking behind his economic measures, which came partly in response to US pressure on Japan to curb its record current account surplus.

But the high domestic approval rating of Mr Hosokawa is as much a measure of expectations as of achievements. The prime minister conceded the point in parliament this week: "I am well aware that the real time of testing starts now."

In his short time in office Mr Hosokawa has made surprising progress but he still has much to do. The coalition has shifted economic debate towards consumers and away from the traditional focus of the producer. But it has yet to deliver the policy changes that would put the consumer permanently at the centre. And Mr Hosokawa's deregulation drive is run by bureaucrats who have, so far, conceded mainly superficial reductions in their power.

Critics suggest that Mr Hosokawa is charming but indecisive. "I don't know who is making the decisions, but I know that it is not Mr Hosokawa," says Ms Makiko Tanaka,



Japan's prime minister Morihiro Hosokawa and Ichiro Ozawa, the power-broker behind the scenes at the JRP

*daughter of former LDP prime min*ister Kakuei Tanaka and newly elected to parliament herself.

Unstated in her observation was the suggestion that Mr Hosokawa is the pawn of a more powerful player: *Mr Ichiro Ozawa, the former power*broker behind the scenes at the LDP. Mr Ozawa is now performing a similar role at the Japan Renewal party, a coalition partner run by the *LDP defectors who brought down* the government of Mr Hosokawa's predecessor, Mr Kiichi Miyazawa.

Mr Ozawa manoeuvred Mr Hosokawa into the prime minister's job by negotiating a deal with the dis*parate coalition parties*. The popular wisdom is that Mr Ozawa needs time for the public to forget his associations with politicians facing corruption charges. According to this view, when Mr Ozawa *feels* the time is right he is likely to make a bid for the prime ministership. In the meantime he is happy to let Mr Hosokawa's fine reputation hang on the fate of a fractious coalition.

It is a sign of Mr Hosokawa's early success that Mr Ozawa and his associates at the JRP are edgy. Many JRP members hope that Mr Hosokawa's team will only be an interim administration to prepare the way for a JRP-led government. One JRP leader said economic or foreign affairs matters should not "distract" him from political reform: "I don't think we have the time to deal with other issues."

But Japan's unexpectedly deep economic downturn has obliged Mr Hosokawa to devote much time to "other issues". The economy appears to have moved officially into "recession" this quarter, the second consecutive period of decline in gross national product.

The government also faces challenges on several other fronts:

- Income tax. It is under growing pressure to cut rates from business leaders, concerned that failing consumer confidence is undermining growth. But the government cannot deliver because the JRP and the Socialists are divided on how to finance the income tax reduction.
- Deregulation. A reduction in costly burdens on business will assist long-term economic growth, and Mr Hosokawa is planning to launch a more radical deregulation drive than the 94 measures announced in recent weeks. But bureaucrats are, not surprisingly, *unwilling to deregulate away their* own considerable powers.
- Political reform. Mr Hosokawa has been obliged to scale back plans for a ban on corporate donations to political parties. But the procession of contractors and provincial politicians through the Tokyo Detention Centre is a reminder of the need for action. Mr Teruzo Yoshino, chairman of Shimizu, the country's largest contractor, was arrested this week for allegedly attempting to bribe a prefectural governor.
- Foreign policy. Mr Hosokawa has apologised for Japan's wartime brutality, but there is the unresolved question of whether Japan wants permanent membership of the UN Security Council. Several coalition partners believe a permanent seat is a necessary part of Japan's growing international role, though the Socialists fear a re-emergence of militaristic sentiment.

If the Socialists or the JRP withdraw support over this or another of the divisive issues, the coalition will collapse. But both parties would risk rejection at the next general election if they could not convince voters that their withdrawal of support from a popular administration was justified.

Mr Hosokawa has earned such popularity by keeping his promise to introduce a more open style of government. He may not be able to answer tough questions. But he has not resorted to the purposefully confusing double and triple negatives favoured by his predecessors in their sentence structure.

The longer Mr Hosokawa tries to keep the answers straight, the more difficult it will be for his successor, *LDP or not, to revert to the old*, obtuse ways. For now, the priestly prime minister has convinced much of his congregation that there is life after the LDP.

Peggy Hollinger on the new, less charismatic breed of UK entrepreneur

Flash Harrys in sober suits

Eleven years ago Mr Geoff Brown, a computer programmer turned rock musician, spent £200 on computer games from the US which he started selling in his home city of Birmingham.

Next month CentreGold, the company he created, will be floated on the stock market and is expected to be valued at between £50m and £60m. By selling some of his shares – he refuses to disclose how many – Mr Brown will become a multi-millionaire with more than £1m in cash. He will own at least 30 per cent of the company.

CentreGold, which distributes and publishes computer and video games, is not the only fast-growing UK company planning to take advantage of the buoyancy of the stock market to raise finance for expansion. In the eight months to the end of August, 95 companies were floated – compared with 82 in the whole 1992, the lowest level since 1985. Another 40-50 companies have announced they intend to go public before the end of this year.

The flurry of activity is some way from equalling the heyday of the late 1980s, when a rapidly growing economy fuelled investors' appetites for untested but potentially lucrative new stocks.

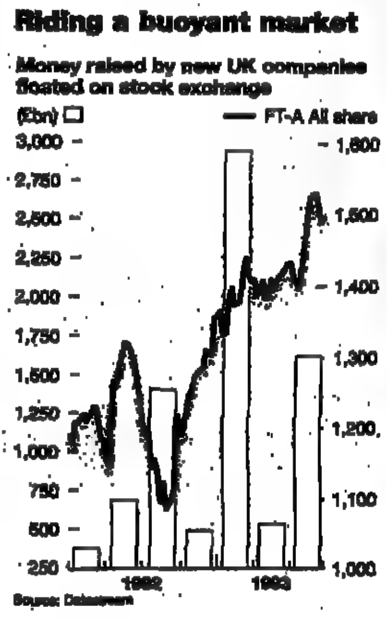
There is now a more sober, post-recession mood among financial institutions: there are questions about the risks involved in investing in companies whose future is at least as uncertain as that of their pre-recession counterparts. Some, such as CentreGold, are the first in their business sector to float, leaving investors with no comparable measure of their likely future performance. Mr David Nolder, corporate financier with stockbroker Smith New Court, says: "I *think* you need a particularly convincing story to take to the institutions these days."

Mirroring the City's scepticism, there is also a more sober style among the entrepreneurs themselves. Rather than the high profiles adopted by some in the 1980s – epitomised, perhaps, by Sir Terence Conran, who founded the retail Storehouse group – the new generation of self-made businessmen deliberately avoids any hint of excess or flamboyance.

"I do not have nor do I intend to have a yacht in the Mediterranean," says Mr Michael Peagram, this week voted Venturer of the Year, and head of Holliday Chemical Holdings, the *chemicals* group floated in March. He paid just £50,000 for a 25 per cent stake in 1985, and today his 20 per cent holding is worth £37m. "The biggest change that it gives me is a position of influence to share my beliefs about business management."

Mr John Houlihan, head of the small companies research team at the stock brokers Hoare Govett, says recession means entrepreneurs are more pragmatic by character. "I don't think you will find many with charisma. They have had to be boring managers coping with adversity. And when the chips are down, charisma does not actually get you very far."

Riding a buoyant market



Source: Datastream

Geoff Brown: striking it rich

Mr Brown is among the more extravagant of the new entrepreneurs. He likes fast cars, music and designer clothes. But he is hardly an extrovert. His small office is in a Birmingham industrial estate; the only luxury is a stereo system. He is relaxed about his millionaire status and says it will make no difference to his life. Most of his wealth will be in shares; the cash will be his cushion against possible hard times in the future – "drop dead money", Mr Brown calls it.

The biggest change, he says, came much earlier in his career, once it was clear that *his passion for computers* was turning into a lucrative business. "Within three years from the start I was able to afford a better house and a nice car," he says. Today, Mr Brown drives a Jaguar for work and a Mercedes sports car for fun. *What about the* Ferraris and Porsches he used to drive in the early days of new-found wealth? "Oh, they are all gone," he says. "All those toy cars have gone."

The son of a Birmingham scaffolder, Mr Brown says his biggest indulgences have been a seven-bedroom Victorian country house and a Yamaha grand piano, both bought last year. He says his wife, who also owns her own business, has furnished their home with *antiques. Wealth has, perhaps, brought* a greater appreciation of quality: "I used to think antiques were second-hand furniture," he says.

After travelling extensively as a professional keyboard player for 10 years in the 1970s, he says he is not interested in living flamboyantly: "I have done my sex, drugs, and rock and roll."

Another stock market entrant, Mr David Jones, a Welsh miner's son who founded Sharelink, the telephone-based stockbroker which was floated in the summer, says the first draw on his new-found wealth will be ensuring financial security for his family.

He has cashed in shares worth £1.8m *to pay for a new house and to set up* trusts for the education of his three young children. He drives a Volvo estate and a Porsche, "which I had a long time before I had any money". Nevertheless, Mr Jones still owns 14 per *cent of Sharelink*, worth £7.7m.

He is not alone among entrepreneurs in refraining from taking profits when their companies come to the market. Mr David Lloyd, the tennis player who founded the sports and leisure group named after him, and Dr Chai Patel, a medical doctor turned financier, who started the nursing home company Court Cavendish, both bought more shares on flotation. "I have a better living because I am paid a higher salary," says Mr Lloyd, who holds 10 per cent of David Lloyd Leisure worth about £10.4m. "But I haven't realised any cash."

Dr Patel, whose 3 per cent stake in Court Cavendish is valued at £1.3m, intends to devote part of his dividend earnings to a charity he is founding called Mustard Seed. It will support *healthcare and training issues in the* UK and abroad.

Mr Trevor Smallwood, chairman of Badgerline, the west country bus company which plans a share flotation in November, says: "The reason for coming to the market is the development of the company, not my bank account." His original £80,000 stake, bought in 1986, is expected to be worth about £13m after flotation, but he intends to keep his Ford Granada car and the three-bedroom country cottage which he, his wife and three year-old son bought four years ago. "That is probably the only change that we have had, or will have," he says.

Mr Graham Wilson, a farmer's son and accountant, borrowed at least £100,000 in 1989 and arranged other financial backing to buy Parkdean Leisure for £7m in 1989 from construction group Beazer. Parkdean, which owns seven caravan and chalet holiday parks in Scotland and East Anglia, is likely to be valued at about £15m when it comes to the market in October. After flotation, Mr Wilson expects to wipe out his debt, take a little cash, and hold a 4 per cent stake in the enlarged company.

"I will be comfortably off financially," he says, but his first indul*gence will be modest – a lifelong* season ticket to Newcastle United football club. He intends to continue driving his second-hand company car, but may spend the "odd weekend" *playing golf*, staying at the luxury Gleneagles hotel in Scotland. "I have also become partial to Jaeger suits," he admits. Nevertheless, "the biggest thing has been having that cloud of debt lifted".

His image of relative thrift, and that of his counterparts, is probably shrewd in the 1990s as Britain starts to emerge from a recession which forced thousands of small businesses into receivership. Mr Houlihan, of Hoare Govett, says financial institutions are looking at the long-term stability of companies. "Investors are now meaner and more sober than they used to be," he says.

On the other hand, the tougher environment means companies approaching *flotation are already well tested*. "Anyone who came through the recession of 1990-92 had to be made of fairly stern stuff," Mr Houlihan says.

He does not believe, however, that the flamboyant entrepreneur – whose success depends on high economic growth – is dead. "They never die, they just go into hibernation. When the climate gets overheated again, they'll be back."

Another long march to the next hurdle

Tony Walker on China's dashed Olympic hopes

Mr Chen Xitong, head of China's Olympic Bid Committee, sought to put the best face on what must have proved a crushing disappointment for Chinese officials.

In the end, China's hopes were dashed not, one suspects, so much because the International Olympic Committee delegates had reservations about the technical aspects of Beijing's bid, but because a suffi*cient number were concerned* about its human rights record.

Speaking by satellite television to a subdued nation, Mr Chen, a politburo member, congratulated Sydney, and said the close result showed that China had commanded considerable support. "It was a remarkable achievement, which underscored the success of our open door policy and programme of reform." He said he felt "calm", and reminded people that he had always said there were two possibilities: Beijing would *either win, or it would lose*.

The latter, almost inconceivable, result had tended to be discounted in the last days before votes were tallied, since Beijing had become a hot favourite, and Sydney's price had lengthened. China appeared to have convinced itself that victory was a formality, hence the shocked reactions in Beijing and other Chinese cities when Sydney's name was called.

The question is what effect the setback, and more to the point, loss of face, will have on a government which had invested so much in winning the nomination for reasons of politics and national pride.

An early indication of fallout from the bruising experi*ence suffered by Chinese IOC* delegates, many of them Communist party officials unused to the free-for-all of a democratic ballot in which the result cannot be preordained, may come as early as next Friday in New York. Then China's foreign minister Qian Qichen is due to meet Douglas Hurd, UK foreign secretary, to discuss Hong Kong.

The encounter may well be icy, since Beijing is certain to be highly displeased with Mr Hurd's strong intervention on the eve of the Olympic ballot in which he declared that China's human rights record should disqualify it from being awarded the Games. The fact that Mr Hurd made his remarks in Sydney will have sharpened China's displeasure.

Raising the stakes ahead of the Hurd-Qian meeting was *the publication yesterday on* the front of a pro-Beijing Hong Kong daily of 11-year-old remarks by senior leader Deng Xiaoping in which he warned that China could take over Hong Kong before 1997 if "serious disturbances" arose.

At best, it would seem likely that difficult moments lie ahead in Sino-British relations as pressures increase for a resolution of the vexed argument over proposals by Hong Kong governor Chris Patten for greater democracy in the lead-up to the 1997 handover.

> 'We unflinchingly face the world', said the headline in the People's Daily newspaper

But it seems unlikely that Chinese officials, even in the depths of their disappointment, would want to risk the accusation that they have been bad losers. Indeed, in their initial public statements they *sought to put the issue behind* them, and to look forward. These officials must know, however, that human rights questions will continue to dog China when it seeks to play a *role on a global stage*.

A crackdown on dissent in the next few weeks would convey an extremely negative signal internationally, and would expose China to the charge that its apparent softening on human rights issues – it released several high-profile dissidents on the eve of the Monte Carlo vote – was merely a cynical exercise in window-dressing.

If nothing else, the loss to Sydney poses a substantial challenge to China's propaganda machine, which faces the task of explaining what went wrong, after barely countenancing the possibility of failure. The People's Daily, the Communist party newspaper, noted yesterday that this was the third Australian bid in recent years, and so China should not feel despondent. "*In the old society, China was* a sick man," it declared, "but not any more."

The headline over the editorial also struck a note of defiance which was revealing perhaps of a feeling in Beijing that much of the rest of the world, and the west in particular, had ganged up against its Olympic bid. "We unflinchingly face the world," it read over a commentary vowing that China would not give up its goals of reform.

There seems little doubt that Beijing will bid again in 2004 *and, barring disasters of Tian*anmen-like proportions, it will be difficult for IOC delegates to deny China's wishes a second time. What is certain is that if it does try again, its campaign will be even more awesome than its efforts on this occasion, and that would be saying something. Never in Olympic history had there been anything quite like Beijing's attempts to win the 2000 Olympiad.

Like the scarcely believable times achieved by its women track athletes in recent days, *it revealed an astonishing sin*gle-mindedness in pursuit of the nomination. Few national projects, including the construction in less than one year *of the giant Great Hall of the People on Tiananmen square* in the late 1950s, could match the effort devoted to winning the Olympic nomination.

Mr Chen Xitong and his associates face an unenviable task over the next four years in their preparations for a second assault on the IOC summit. A second failure would be unthinkable.

Staff are bearing cost of higher education changes

From Mr David Triesman.

Several features of the chancellor's statement on pay in the public sector are worthy of further exploration ("Unions warn of 'chaos' over public pay stance", September 15).

First, we have argued that a specific element of additional direct taxation should he spent on higher education. The Treasury has always replied that it is opposed in principle to hypothecated taxes. The chancellor has now decided to introduce what is a bizarre form of hypothecated taxation applied to higher education staff. Their employers have received increased income because of growth in student numbers and despite "efficiency savings". *They* are being told not to spend any of this money on staff pay increases and I can only assume that it will be spent on current or future provision in each institution.

In short, the staff have been taxed specifically to provide for any changes in provision in their place of work as an alternative to doing so through general taxation. And so it will be for nurses, doctors and health ancillary staff. They will be 'taxed' to provide for change in their places of work.

Second, the chancellor has drawn *attention to payment in* return for productivity. While that is not easily measured in some areas of public provision, I can report that in six years the number of higher education students has grown by 50 per cent, the number of staff by only 10 per cent, and the decrease in the unit of resource is 20 per cent. The FT might find it interesting to identify a single area of British industry which competes with this success story. I suspect, unworthy though the thought may be, that we will not be offered a pay settlement which reflects these productivity accomplishments. Some reason for denying the chancellor's proposition will be pleaded in aid and he will do the pleading.

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LETTERS TO THE EDITOR

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Complexities threaten pension schemes

From Mr Howard Gracey.

Sir, I write in response to the article "Minimum pension may be scrapped" (September 18/19).

The removal of the existing impossibly complex Guaran*teed Minimum Pension* requirements is essential for the future of contracting out. It must be viewed, however, in the context of an equally necessary overall objective – the simplification of the present spider's web of pensions conditions as a precursor to increased security. Existing Inland Revenue and Department of Social Security requirements have produced a degree of frustration and despair among scheme administrators and employers that must be virtually unparalleled.

Indeed, in a survey we con*ducted among finance directors* of some 300 UK companies, one in three said any additional complicating legislation, with resultant increased costs, would cause them to consider *scaling down or winding up* existing company schemes.

In our view, true simplification is attainable only by examining the purpose of each set of requirements, ensuring that it is really valid and then, if so, devising an alternative way of achieving the same goal. Our recommendations to the DSS and Goode Committee have stressed the need for sim*plification involving a com*plete redesign of the current Heath Robinson structure.

The private sector will only be able to fill the pensions gap, left by the inevitable rolling *back of state provision, when* radical simplification has taken place. This must have as its cornerstone the integration of DSS and Inland Revenue requirements. There is a strong case for a co-ordinated ministerial approach to pensions policy, for departmental co-ordination in giving that policy statutory effect, and for a single regulator covering all *pension matters other than* investment management. Without such co-ordination, problems arising from conflicting objectives within government will always remain.

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Market regime may be possible, but not necessarily preferable

From Mr Walter Grey.

Sir, A single market, let alone a common market or a free trade area, can indeed, as Sir Alan Walters claimed (Letters, September 22), get by without the stable ("pegged") exchange rates, let alone the single currency, he so abhors. But is the one, given convergence on a stability-oriented regime, better off without than with the other?

Would the existing US single market, for example, benefit from each of the US federal states sporting a separate currency of its own, and multiple (internal as well as external) exchange rates, in place of the single ("almighty") dollar? Possible, of course, "like a dog's walking on his hinder legs". But preferable?

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UK small business needs industrial banking sector

From Mr Peter Crowe.

Sir, At last the Bank of England is taking some action to support small business in the UK ("Bank governor calls in clearers", *September 21*).

The British financial system will impede the recovery from recession, as it has impeded the development of the British economy for decades. When *five to seven years is regarded* as long-term by the venture capitalists, who must have their exit route in place on day one of their investment, and who demand rates of return two or three times higher than those in Germany or Japan, how can any company organise itself for long-term structured growth and development in market share? The simple answer is, it can't. *Instead it* has to concentrate on avoiding risk, short-term cost minimisation (equals lack of investment) and production of "satisfactory" results. We should be asking ourselves who these results are satisfying.

The banks and investment institutions are not just providers of funds; they actively influence the investment decisions and priorities of business people by their short-term performance criteria, their demands for personal assets as collateral, their preference for the fast-buck sectors rather than the lower-performing manufacturing sectors, in terms of return and their investment decisions and allo*cations being determined* by quarterly reports.

In short, we need an industrial banking sector – a bank for business, creating solutions and opportunities, not liquidations and *bankruptcies*.

Unless our financial institutions can become partners in the quest for jobs, expansion and economic prosperity, any "recovery" will be superficial and transitory, *with the real* decline of UK plc in the world marketplace continuing remorselessly.

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Thorn chairman answers Rent-A-Center critics

By Michael Skapinker, Leisure Industries Correspondent

WHEN SIR Colin Southgate, chairman of Thorn EMI, got out of his New York hotel bed at 6 am last Wednesday morning, he noticed that a fax from his London office had been slipped under the door.

It was a copy of an article from that day's Wall Street Journal, alleging that employees of Thorn's Rent-A-Center business in the US had used guns, gangs of Hell's Angels and other unorthodox methods to deal with customers who had fallen behind on rental payments.

It ruined Sir Colin's day.

Yesterday, back in London after several days of previously-arranged US meetings, Sir Colin launched an emotional defence of Rent-A-Center, which rents out anything from televisions to necklaces.

"I don't recognise our business from this article," he said.

"I'm sure that out of 7,000 people we employ we're bound to have a few who don't work to the standards we expect."

But Rent-A-Center customers, he added, "get treated like kings and queens. These people get treated normally in 99.999 cases out of 100,000."

The City was concerned enough to mark Thorn's shares down on three successive days. Yesterday they closed at 922p, down 66p on their Wednesday morning opening.

Foremost in the minds of London analysts was the fear that the article would result in US federal legislation limiting the profits of the rental subsidiary.

But there was also a mood of distaste for what Rent-A-Center was alleged to have done.

An internal note on Thorn circulated at one London stockbroker yesterday noted in shocked tones that the article had claimed that "Rent-A-Center employees have taken sexual favours in lieu of cash."

Sir Colin said Rent-A-Center management were investigating every allegation in the article. If he was dissatisfied with the outcome, Thorn would send in its own investigators. But he could already say that the Hell's Angels allegation was "nonsense"; so was the story about the guns.

The article had been based on the word of former employees who had been dismissed by the company. Many of those named, he alleged, had taken jobs elsewhere in the rental business. The idea that their consciences had provoked them to speak out was "balderdash".

It was unfair to say Rent-A-Center made excessive profits, Sir Colin said. The article was wrong in saying the business had a 23 per cent operating margin in 1992-93, he said. This failed to take into account central marketing and other overhead costs. The true margin was about 12 per cent.

Sir Colin did not deny that 25 per cent of Rent-A-Center customers continued their payments until they gained ownership of goods and ended up paying far more than if they had bought them outright at the start.

The average rental item passed through 2.2 hands, he said. This meant there were times when the goods were in Rent-A-Center shops earning nothing. The business was also renting to people with no credit rating and was entitled to some financial compensation for taking on that risk. No one else was prepared to extend credit to the typical Rent-a-Center customer, he said.

He strongly doubted there would be federal legislation defining rent-to-own as a credit transaction. This could lead to limits on the interest Rent-A-Center could charge.

If, as Sir Colin alleged, the article contained false allegations, would Thorn be suing the Wall Street Journal for defamation, either in the UK or the US? "No," he said. "We can't believe there's any point in a UK company chasing a US paper like the Wall Street Journal."

See Lex

Willis Corroon to float off US assets

By Richard Gourlay

WILLIS CORROON, one of the UK's leading insurance companies, has announced its intention to float off most of its US underwriting operations, in a move that would effectively complete the concentration on broking operations begun in 1991.

The flotation of about 56 per cent of Gryphon, the holding company for Associated International Insurance and Calvert Insurance, might raise between £35m and £40m, according to analysts.

Mr John Robins, finance director, said the flotation would allow the group to focus on broking, consultancy and risk management. "Underwriting is not where we want to add extra capital," he said.

Calvert and Associated, with net assets at the year-end of $71m (£46m) would be relatively small in US insurance market terms. The companies write speciality commercial and casualty insurance, particularly for small to medium-sized clients.

Analysts said the sale would be unlikely to raise substantially more than book value, and would not greatly strengthen the balance sheet. It would, however, improve group liquidity.

Last month Willis Corroon halved its dividend following a decision to improve its cash position. It continues to make losses on liabilities incurred by Sovereign, the UK underwriting company, before it was closed in 1991.

In the year to December 31 1992, Gryphon contributed £9.9m to group pre-tax profits of £42.5m, down from £67.1m, due to a £25.7m increase in provisions at Sovereign.

This provision covered claims from Hurricane Hugo and other natural catastrophes from 1989, 1990 and 1991.

Willis Corroon said it expected the offering to take place in the fourth quarter of this year. Smith Barney Shearson, Goldman Sachs and Lehman Brothers will manage the underwriting of the offering in the US.

See Lex

Hepworth bullish despite fall

By Peggy Hollinger

BRITAIN'S construction sector took heart yesterday from bullish statements by Hepworth, the building materials and boiler group, which said it had spotted definite signs of recovery in the UK, in spite of a 16 per cent fall in interim pre-tax profits.

Mr John Carter, chief executive, said the outlook for trading was now more promising than in recent years. "There are pockets of recovery appearing right across our operations, particularly in building products," he said.

The group was announcing a fall in pre-tax profits from £32.8m to £27.5m for the six months to June 30. Sales were 4 per cent higher at £331.9m.

Mr Carter said the results in the first half were 30 per cent better than in the second half of 1992, reflecting the savings achieved in a wide-ranging cost reduction programme and the upturn in the UK. Hepworth cut some 500 jobs in the first half, mostly in the UK. Mr Carter said a further 200 would be taken from the remaining 8,500 staff, mainly in the continental European businesses.

Operating profits were down in all divisions, but Mr Carter said Saunier Duval, the group's French boiler subsidiary, had performed well in difficult circumstances. Saunier Duval, which fell 7 per cent at the operating level to £12.5m, had been hit by weak currencies in its main export markets, Spain and Italy.

Hepworth's building products division showed a slight decline in operating profits from £11.9m to £11.1m, on sales down 1.5 per cent to £79.2m. Mr Carter said the decline had been cushioned by cost cutting. Home products fell 21 per cent to £5m, while minerals and chemicals came in £2m lower at £3.5m. Refractories fell 20 per cent to £3.7m.

Earnings per share fell from 11.3p to 9.1p and the dividend is maintained at 5.5p.

Docks bid raises eyebrows and ire

Maggie Urry looks at the furore over Medway Ports' £104m sale

ONE question arising from Mersey Docks and Harbours' £103.7m agreed bid for Medway Ports has raised not only eyebrows but ire. That is: why are shares which were valued in February and traded in June at a price of £2.50 now worth £37.25?

The huge difference in value has brought threats of legal action against KPMG Peat Marwick, the accountants which valued the shares, from those who – they feel – were forced to sell them at £2.50. So far, neither KPMG nor Medway Ports have received writs, and many believe the protestors do not have a claim.

KPMG will only say: "At the time the valuation was carried out by KPMG there was great uncertainty involving the labour force at the Medway Ports; there was certainly no potential purchaser on the horizon at that time."

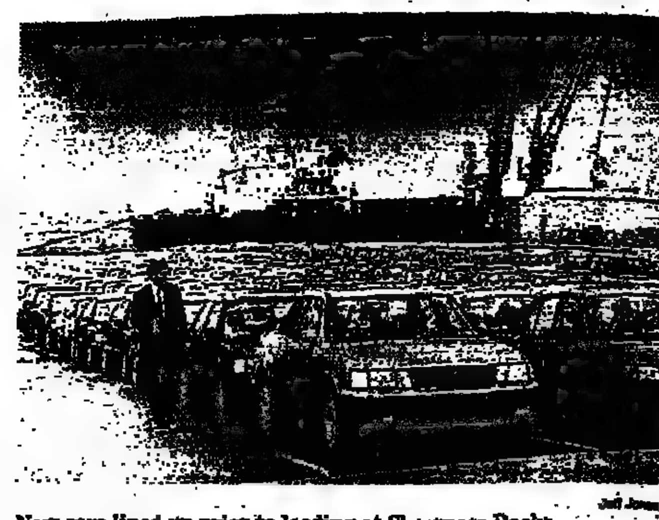
One other adviser to Medway Ports said yesterday: "Hindsight is a wonderful thing. You have to remember why the valuation was done and what has changed since. KPMG did a thorough job."

He said that the valuation was done for internal share transfers in a private company, where buyers and sellers had to be matched. Such values are generally lower than an equivalent public company would expect.

At the time of the Medway Ports valuation there was uncertainty over the long term profitability of the group and there was no prospect of an early exit for investors.

When the government privatised Medway Ports, which owns the Sheerness and Chatham docks, in March 1992 there was only one bidder, a management and employee buy out which offered £29.7m. The employees bought shares at £1 each.

By the end of last year the company was embroiled in a bitter dispute with some of its workforce. The company wanted to cut wages and increase working hours, doing away with working practices which it considered hampered its chances of retaining customers and increasing profits.



Jeff Jones

New cars lined up prior to loading at Sheerness Docks

One adviser said yesterday: "The company's financial state was parlous, it was right up against its bank covenants. It could have gone under."

The dispute ended in the redundancy of 269 dockers, who were then obliged to sell their shares because they ceased to be employees. The bitter irony for them is that their departure in large part transformed the group's fortunes, and made it attractive. By the summer, the group was looking at an early flotation and a number of trade buyers appeared enabling Medway to extract the offer from Mersey Docks.

Brent Walker considering options over William Hill

By Maggie Urry

BRENT WALKER, the heavily-indebted leisure and property group which releases its interim results on Monday, is looking at the possibility of retaining its William Hill betting shop chain, rather than floating or selling it.

The group is considering two offers for William Hill. The Warburg consortium, which opened the bidding with a £360m cash offer, is understood to have upped its bid to between £450m and £475m. This offer is structured to allow Brent Walker to retain a sizeable, though minority, stake. This would enable the lossmaking group to share in any recovery and growth the betting chain achieved.

The other offer, thought to be lower than Warburg's, is from a consortium led by CinVEN and Legal and General.

William Hill is also pursuing the flotation option. It has appointed sponsors and is interviewing potential public relations advisers next week. Sober estimates of the likely value at flotation are in the £520m to £540m region.

It is thought a trade sale could be completed sooner than a flotation and it would not be subject to the vagaries of the stock market.

Standard Chartered, the lead bank in the Brent Walker syndicate, confirmed yesterday that it had started talks with the other lenders about refinancing the £350m William Hill syndicate. William Hill, which is ring-fenced from the rest of Brent Walker, has to repay its loan by March 1 next year.

It is thought that Brent Walker would also seek to raise new money from its banks, although StanChart would not comment on this. With the values put on William Hill by the trade offers and the flotation estimates, Brent Walker now has a better chance to convince its banks to take on the William Hill debt. William Hill is cash generative and if the ring fence can be removed and the chain absorbed within Brent Walker it could improve the prospects for the group as a whole.

Brent Walker's results are expected to show an improvement in trading at William Hill, thanks to evening opening and despite the fiasco of the Grand National. However, the group's pub business is thought to be under pressure.

Massive interest charges will turn operating profits into pre-tax losses. The loss for the first half of 1992 was £79.4m although operating profits were £29.5m. Interest totalled £108m. In the whole of 1992 operating profit was £49.5m, but pre-tax losses were £427.4m after interest of £204.4m and exceptionals of £348m.

£32m loss on tool hire sale hits Mowlem

By Catherine Milton

Interim losses at Mowlem soared to £41.8m after a £32m loss on a tool hire business it sold recently. Excluding the charge, the pre-tax loss and turnover were static at £9.8m and £658m, but the contractor and housebuilder maintained the interim dividend at 2p believing cost-cutting efforts will pay off next year.

"The benefit of cost-cutting measures will be clearly apparent in the 1994 results and the overall financial strength of the group means we are maintaining the interim dividend," said Sir Philip Beck, chairman.

"While there are some signs of recovery in the overall UK economy, the improvement is still weak, uneven and, as widely reported, shows few signs of feeding through into the construction industry," he added.

Sir Philip said he expected the company to incur a full-year pre-tax loss "broadly similar" to last time's £38.5m, before the loss on the disposal of the profitable HSS Hire Service Group in May for £52m. Under new accounting requirements Mowlem reinstated to reserves £42.5m of goodwill previously written off, offset by a £32m loss on the disposal based on the original purchase price. The net effect was a £10m gain in shareholders funds.

The first-half 1992 pre-tax loss was £10m on turnover of £652m. Losses per share were 39.5p (9.7p loss before the charge) against losses of 9.3p a year earlier. For the fifth time, Mowlem has dipped into reserves, withdrawing £2.3m to pay the £2.2m interim dividend.

All divisions recorded operating losses except scaffolding, which made profits of £2.4m (£1.8m), and contracting, which broke even compared with a £500,000 loss last time. Housing incurred a loss of £700,000 (£500,000 profits), while aviation was £2.4m (£2.5m) in the red.

NEWS DIGEST

Heron results to be released on Monday

HERON, Mr Gerald Ronson's property and trading group, is to announce results for the year to end-March on Monday, following the completion of its £1.4bn refinancing.

The complex restructuring went through last week with the issue of new securities replacing the group's bonds.

In the year to March 1992 Heron made net losses of £693.1m leaving the group with negative net worth of £328m.

The restructuring document warned that "further material reductions in values will need to be incorporated in the financial statements for the year ended March 31 1993".

Ernest Green

Ernest Green and Partners Holdings, the USM-quoted structural, civil and environmental engineering consultancy, reported pre-tax profits 32 per cent ahead at £773,000 for the 12 months to end-June.

The advance was achieved on slightly lower turnover of £7.66m (£7.74m).

Earnings per share rose by 10 per cent to 6.6p (6p) and a same-again final of 4.25p maintains the total dividend at 7p.

Highcroft

Highcroft Investment Trust, a financial trust, reported profits before tax of £663,000 for the six months to June 30.

The outcome compared with profits of £684,000 last time and came despite net rental income improving 14 per cent to £492,000 (£432,000). Realised capital profits dipped to £123,000 (£220,000).

Earnings per share, including realised capital profits, were 8.8p (9.2p); excluding them the figure was 6.9p (5.8p).

The interim dividend goes up to 1.9p (1.8p).

Bilston & Battersea

Because of increased investment in sales and marketing, Bilston & Battersea Enamels, a maker of hand decorated enamel boxes, suffered higher pre-tax losses of £186,000 for the first six months of 1993, compared with £28,000.

Turnover of this USM-quoted concern rose slightly to £1.78m (£1.76m). Losses per share were 2.7p (0.8p).

Erith

Erith, the builders' merchant, staged a recovery in the six months to June 30, reporting a pre-tax profit of £523,000.

That compared with a deficit of £229,000 last time and with losses of £557,000 for the 1992 year. Turnover for the period was static at £33.5m.

Earnings per share worked through at 0.75p (losses 0.34p). The company is resuming payment of dividends (last year's final was passed) with an interim of 0.35p (same).

United Energy

United Energy, the small oil and gas company which operates mainly in the US, turned round from a loss of £52,000 to a profit of £40,000 in the first six months of this year.

This followed the acquisition of AmBrit International early last year. Turnover rose from £834,000 to £1.58m, and production has grown from 107,000 barrels of oil equivalent to 145,000 barrels.

Joseph Holt

Joseph Holt, the Manchester-based brewer renowned among real ale aficionados for producing some of the cheapest beer in the UK, announced pre-tax profits of £3.82m for the half year to June 30 – up 5 per cent on the comparable £3.63m.

Turnover improved to £13.6m (£12.4m).

The interim dividend is increased by 1p to 11p, payable from earnings of 84.58p (80.56p) per share.

John Swire

John Swire, the London-based parent company of the Swire Group and one of Britain's largest private companies, reported a 19 per cent improvement in pre-tax profits for the six months to end-June.

The advance, from £196m to £234m, was achieved on turnover up by £503m to £1.9bn.

Secure Trust

For the six months to June 30, pre-tax profits of Secure Trust, which provides home banking, money management and other financial services, expanded from £3.44m to £3.71m.

Earnings per share were higher at 17.3p (16.1p) while the interim dividend is increased to 4.5p (4p).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Breedon	int	1.75	Oct 29	1.75	-	4.6
Culver	int	0.11†	Oct 21	0.1	-	0.2
Edit Trust	fin	0.6	Nov 20	1	0.5	1
Ferrum	int	-	-	1.1	-	2.5
F&C Pacific	int	0.9	Nov 2	0.75	-	1.95
Fortnum & Mason	fin	14	Jan 1	12	100	98★
Gartmore Scotland	fin	2.6	Nov 26	3.2	10	11.6
Garton Eng	int	1.125	Dec 1	1	-	4
Goodwin	fin	0.655	Nov 10	0.655	0.655	0.655
Hepworth	int	5.5	Nov 29	5.5	-	14.85
Holt (Joseph)	int	11	Oct 22	10	-	41
Hopkinsons	int	0.5	Nov 30	0.9	-	1.3
Mowlem (John)	int	2	Dec 31	2	-	4
Servomex	int	1.9	Nov 5	1.9	-	5.9
Waterman	int	0.5	Nov 5	0.5	1	1

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ★Annualised.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	110	94	Anglian Water Wts	108		-	-	-	-
100	F.P.	-	147	115	Bakyrchik	130		-	-	-	-
-	F.P.	-	£38¾	£35⅝	Beta Wat Nom Units	£38¾	+⅜	-	-	-	-
90	F.P.	-	98	95	Crockfords	95		W5.2	2.3	6.8	7.5
-	F.P.	-	5	3½	Exploura A	3¼		-	-	-	-
-	F.P.	-	70	67	For & Col Special Inc	68½		-	-	-	-
-	F.P.	-	46	42	Do Capital	42		-	-	-	-
-	F.P.	-	116	109	Do Units	111		-	-	-	-
-	F.P.	-	81	78	Ivory & Sime Ent. Cap.	78		-	-	-	-
-	F.P.	-	15	14	Do. Warrants	14		-	-	-	-
-	F.P.	-	5¼	5	Nouvelle A	5¼		-	-	-	-
-	F.P.	-	11	9½	Select Industries	9½	-½	-	-	-	-
§112	F.P.	-	118	116	Shield Diagnostics	116		-	-	-	-
§115	F.P.	-	123	118	WE Holdings	118	+1	13.5	2.8	3.7	13.1

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price £	+ or -
-	F.P.	-	112½p	109p	[illegible] 8¼pc Cm Pf	109¾p	
100	F.P.	-	111	108	Coats Viyella 6¾pc Cv Bds 2003	110¾	-½
-	F.P.	-	117	105	Co-Lands 7¾pc Cv Ln 2020	113½	-½
100	F.P.	-	107	98¼	Greenalls 7pc Cv Bds 2003	107	
-	F.P.	-	92½	90	Ivory & Sime Ent. Cap. Cv Ln 2000	90	
-	F.P.	-	108¼	104½	Natl. Power 8¼pc Cv Bds 2008	108½	
-	F.P.	-	114½	107¼	Westbury 6¾pc Cv Bds 2000	112¾	
-	F.P.	-	113	107	[illegible] 6¼pc Sds	111	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or-
17	Nil	[illegible]	[illegible]	[illegible]	Bellwinch	[illegible]	
120	Nil	[illegible]	[illegible]	[illegible]	Applyard	[illegible]	
[illegible]	Nil	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Cadbury Schweppes	[illegible]	
[illegible]	Nil	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]	Nil	[illegible]	[illegible]	[illegible]	MB-Caradon	[illegible]	
[illegible]	Nil	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Rolls-Royce	[illegible]	
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Tarmac	[illegible]	
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Wates City of London	[illegible]	
[illegible]	Nil	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	

pm Price at a premium. For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings Sept. 13
- Last Dealings Sept. 24
- Last Declarations Dec. 9
- For settlement Dec. 20

Calls: Argyll, ASDA, Barratt Devs, Lloyds Chemists, Mirror Group and Molynx. Puts: Molynx. Puts & Calls: Anglo Pacific, Hanson Wts., Pizza Express and Waverley Mining.

3-month call rate indications are shown on page 13.

هكذا من الأصل

COMPANY NEWS: UK

From drinks to the driving seat

Philip Rawstorne on the challenge facing Grand Metropolitan's new chief executive

GRAND Metropolitan's restless management culture yesterday produced another surprise for its shareholders as Mr Ian Martin, group managing director, and long viewed as heir-apparent to Sir Allen Sheppard, withdrew from his post to become a non-executive deputy chairman.

Mr George Bull, present head of GrandMet's food operations but the former driving force behind the development of IDV, its drinks division, becomes the group's chief executive.

Sir Allen, having split his combined role, will continue as executive chairman until his retirement in 1996.

The GrandMet board, whose non-executive members include Mr Richard Giordano, chairman of BOC, Sir John Harvey-Jones, former chairman of ICI, Sir Colin Marshall, chairman of British Airways and Mr David Simon, of British Petroleum, was unanimous in its choice of Mr Bull.

Sir Allen said yesterday: "We had a high quality problem. The two men are outstanding world-class executives."

Mr Martin, 58, masterminded GrandMet's $5.8bn acquisition of the US Pillsbury group, which included Green Giant and Burger King, in 1988. A tough-minded Scot who came up through GrandMet's former brewing and hotels operations, he stayed in the US to restructure Pillsbury before returning to the UK as group managing director in early 1992.

His period in the post has been marked by a quieter style of management than that which prevailed when GrandMet repositioned its portfolio of businesses in the late 1980s.

Sir Allen Sheppard, left, with George Bull, who was chosen for his marketing background — Jeff Jones

Mr Bull, 57, more relaxed and urbane in manner, joined IDV in 1961, 11 years before it was taken over by GrandMet. A skilled marketer, he became chief executive of the division in 1984. He was closely involved in the acquisition of Heublein in the US three years later, and led the development of IDV into one of the world's largest drinks businesses. With established brands such as J&B Scotch whisky and Smirnoff vodka and a reputation for new product development, IDV now contributes more than half the group's profits.

In June last year, Mr Bull was switched across the group to head its food operations, where growth was being hit by trading conditions in the US.

Sir Allen made a point then of stressing Mr Bull's international marketing skills – and by all accounts it was his marketing background and wider experience of international markets that swung the board's votes.

Brand management and marketing are fundamental to GrandMet's business strategy. Its intention is to be an international drinks, food and retailing business. Its prospects of achieving that goal depend on its ability to position and grow its brands.

Mr Bull said yesterday: "I see it as my role to lead GrandMet closer to its markets, closer to its customers. That will be vital to its long-term growth."

His record at IDV reassures the City. "IDV has been a powerhouse of profit growth and cash generation," says Mr David Thompson, analyst at Kleinwort Benson.

That position now has to be defended, he says, as recession affects many of IDV's world markets.

After Guinness's setbacks this week, the market has already begun to revise its forecasts of IDV's profits. However, IDV's market position, despite an over-dependence on the US and Europe, has been generating good organic growth, and it has recently made a number of acquisitions – such as Cinzano and Metaxa – that should buttress profits.

The greater challenge for Mr Bull lies in the group's food operations. The acquisition of Pillsbury was a critical step in GrandMet's ambition to become a global branded food business. It gave the group a strong position in the US and a product range with potential for international development.

The acquisition has provided reasonable returns; and the US operations are now recovering from the effects on Green Giant of depressed trading and a succession of harvests that produced a glut of vegetables.

However, expansion of the Pillsbury food brands into Europe and the rest of the world has been more uncertain and slower than expected. In the global food industry, the group languishes at number 12 – well short of its ambitions.

Two former Pillsbury brands – Haagen-Dazs ice-cream and Burger King – have gone from strength to strength. Burger King, once regarded as a potential disaster area, now outshines by far GrandMet's other retailing interests.

The Pearle eye-care chain, now recovering after three years of losses, appears to fit no more comfortably into its strategy than do its UK pubs in the Chef & Brewer chain and the Inntrepreneur joint venture. All three are expected to be sold as soon as possible.

With debt of about £3bn, the group needs to accelerate cash generation if it is to support the growth of its brands with further acquisitions.

No one will be more eager to promote such a policy than Mr David Nash, group finance director, who will now become chairman and chief executive of the food and international retailing operations.

ICI ousts Hoare Govett as broker in cost cutting move

By Peter John

IMPERIAL Chemical Industries has ousted its stockbroker of more than 65 years, Hoare Govett, an established London firm with a reputation for representing blue chip clients.

The company, which hived off its drugs arm earlier this year to create Zeneca, said the change of broker was the result of cost cutting following the split. "We are a smaller company now and we have decided we should only have two brokers. We have worked extremely well with SG Warburg and BZW since the demerger and we have chosen them."

However, Hoare Govett, whose reputation lies largely with its extensive list of blue chip clients, is bitterly upset by the decision, particularly as it has recently been increasing its corporate list and ICI is one of its most established clients.

Hoare had been ICI's leading broker for many years, but it was also broker for Hanson, the international conglomerate. When Hanson launched a dawn raid on ICI in 1991, buying 2.82 per cent of its shares, Hoare backed off and refused to represent either side.

Subsequently, the firm, owned by Dutch bank ABN Amro, became the number three broker behind SG Warburg and BZW. Last year, Hoare made a forecast that ICI's profits would be well below the expectations of most market analysts and issued a sell recommendation.

Mr Martin Evans, Hoare's chemicals analyst said "It is very disappointing, given our previous loyalty to the company pre- and post-Hanson, and might reflect poor judgment at senior management level, given Hoare's long-established reputation in the City."

And a member of the group's corporate finance arm said: "There was no doubt that, since the demerger, a rethink on the chemicals side might have been possible, but we have had a relationship with ICI since it was founded in 1926 so the news was obviously a surprise."

NEWS DIGEST

Fortnum static at £2.01m

FORTNUM & Mason, the Piccadilly department store, reported pre-tax profits almost static at £2.01m for the year to July 10, against £2.15m for the comparable period.

The outcome was achieved on turnover up slightly at £24.7m (£23.8m); profits at the operating level were marginally ahead at £1.43m (£1.41m).

Mr Garry Weston, chairman, said the company's cash position had improved over the year, but the sharp drop in interest rates had hit interest income, which fell to £576,000 against £741,000.

Earnings came out at 311p (334p) per share and a second interim dividend of 14p makes a total of 100p (98p) for the year.

Waterman

Waterman Partnership Holdings, the consulting engineer, ended the year to June 30 with pre-tax profits of £124,000, against a loss of £2.72m.

The recovery was achieved on turnover up from £6.48m to £7.35m. Operating losses were reduced from £2.94m to £95,000 – the 1992 result included a £776,000 bad debt provision and £212,000 of reorganisation costs. The figures have been restated to conform with FRS 3.

Earnings per share came out at 0.1p (10.6p losses). The final dividend is again 0.5p, maintaining the total at 1p.

F&C Pacific

Foreign & Colonial Pacific Investment Trust reported a net asset value, assuming exercise of warrants, of 305.9p per share as at July 31, up from 237.8p at end-January and 181.5p a year earlier.

Attributable revenue for the six months jumped from £544,000 to £2.07m for earnings of 1.95p (0.5p) per share. The interim dividend goes up from 0.75p to 0.9p.

Fired Earth Tiles

Fired Earth Tiles, which sells, markets and distributes terracotta, glazed and other tiles, incurred its first-ever loss, amounting to £94,000, for the six months ended July 2 1993. There was a £6,000 profit previously.

Turnover was down from £2.46m to £2.26m.

Losses per share were 1.25p (0.07p earnings).

SWP

An increase in market share within the timber frame industry helped SWP Group record an increase in pre-tax profits from £30,000 to £170,000 in the year to June 30.

Turnover for this USM-quoted supplier of components to the building industry rose 4 per cent to £8.05m (£7.74m). Earnings per share came out at 0.5p (0.1p) and the company proposes a return to the dividend list with a final of 0.2p.

Barr & WAT

A jump in profits in the motor distribution side enabled Barr & Wallace Arnold Trust to cushion losses in its leisure and holiday division.

In the half year ended June 30 pre-tax profit fell from a restated £991,000 to £663,000, on turnover down to £108.2m (£110.5m). Earnings per share were 3.5p (5.2p) but the interim dividend is unchanged at 3p.

However, Mr Malcolm Barr, chairman, expressed confidence that full year results would be similar to last year's, when a pre-tax profit of £3.7m was reported.

Throgmorton Dual

Throgmorton Dual Trust reported a 24 per cent advance – from 581.3p to 718.3p in net assets per capital share over the 12 months to July 31.

Net revenue, however, fell to £1.57m (£1.61m) for earnings of 6.82p (7.02p) per income share and the trust had to dip into reserves to pay a proposed final dividend of 1.85p and a total of 7.1p (7p).

Hopkinsons falls to £722,000

By Graham Deller

IN SPITE of a substantial contraction in interest charges, pre-tax profits at Hopkinsons Holdings, the industrial abrasives, plastic products and gas control equipment group, showed another sharp decline over the six months to July 31.

According to Mr Bill Goodall, chairman, the outcome, as anticipated, was equal to the second half of the previous year at £722,000 (£1.34m).

Although Carborundum Abrasives returned to profit, Bryan Donkin Engineering, still hit by uncertainty over the capital spending plans of British Gas, its biggest customer, suffered a further decline in orders. Activities in Germany continued to be affected by recession and the strong D-Mark, which placed further pressure on sales and margins.

Group turnover edged ahead to £51.7m (£51.3m); Mr Goodall said that the comparison was flattered by exchange rate movements which disguised a real decline of 6.5 per cent.

Borrowings were reduced by £1.3m to £11.4m by end-July and by a further £2.5m since then; gearing currently stands at 38 per cent (41 per cent).

After a nil tax charge, reflecting German losses and the release of tax provisions, earnings per share emerged at 0.91p (0.89p). The interim dividend is 0.5p (0.9p) but Mr Goodall said the intention was to maintain the total at last year's 1.3p.

Ferrum £1.5m in the red

SHARES in Ferrum Holdings fell 3p to 16p as the engineering company reported a fall to pre-tax losses of £1.49m for the six months to end-June.

The decline – from a profit of £424,000 – was forecast by Mr Simon Miller, chairman, in his annual statement last March, and was struck on turnover of £16.5m (£19.2m).

Trading was weak across the whole business, Mr Miller said, and the loss was struck after "provisions totalling £725,000 covering restructuring and refinancing costs together with a general provision against contracts".

In addition, tax changes announced in the March budget had held back exploration activity in the North Sea, which adversely affected the services division.

Losses per share came out at 4.6p (0.97p earnings) and in view of the results the interim dividend is passed, against 1.1p.

However, following the reorganisation the group would now operate on a lower cost base.

ECONOMIC DIARY

TODAY: Former Soviet leader Mikhail Gorbachev meets Achille Occhetto, leader of Italy's former communist party, on the last day of his visit to Italy; India's minister of state for external affairs, Salman Khurshid, arrives in Caracas for the beginning of a three-day visit

MONDAY: Labour party conference to Oct 1; German consumer prices and import prices; US existing home sales; International Atomic Energy Agency annual general conference in Vienna; Turkish foreign minister Hikmet Cetin visits United Nations (New York); French PM Balladur on one-day working visit to Madrid; interim results, Brent Walker

TUESDAY: Italian non-EC visible trade; US consumer confidence; annual meetings of the International Monetary Fund and World Bank Group in Washington; Congressional hearings are to begin on president Clinton's health-care plans; interim results, Tarmac

WEDNESDAY: US GDP (Q2 final); French president Francois Mitterrand visits Stockholm; verdict expected in Pechiney insider trading trial, Paris; European Parliament holds extraordinary plenary session; interim results, Independent Central TV

THURSDAY: Profitability of UK companies (1992); New Earnings Survey 1993 Part A; streamlined and summary analyses, description of the survey; energy trends (Jul); new vehicle registrations (Aug); November 1992 income support quarterly statistical enquiry: residential care and nursing homes report; economic trends (Sep); training statistics (1993); monthly digest of statistics (Sep); French unemployment figures; US Chicago purchasing managers' index; US new home sales; US initial weekly jobless claims; US weekly money supply; deadline for Spain's 1994 budget to be presented to parliament; interim results, Welpac, Waterhouse Group; Redland

FRIDAY: Italian consumer prices (final); final results, Norex

LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied-Lyons	550	25	38	50	8	22	28
(*562)	600	5	16	27½	40½	52	56½
Argyll	280	19	26	34	5	13	16
(*291)	300	8	17	24½	15	24	27
ASDA	57	6½	-	-	2	-	-
(*60)	67	1½	-	-	8	-	-
Brit Airways	340	22	33	-	8½	17½	-
(*356)	360	13	23	24½	13½	24	[illegible]
[illegible]	420	18½	33½	44½	18½	28½	32
(*421)	460	5	17½	28½	43½	53	59
Boots	460	30½	39	49	4½	14	19
(*492)	[illegible]	6½	18	28½	23½	34½	38
BP	300	10½	18	24	5½	14	17½
(*302)	330	2	7½	12	28½	30	30
British Steel	110	13	16	21½	2½	6	8
(*119)	[illegible]	6½	12	16½	6	11	13
Bass	420	44½	50½	54	1½	11½	17½
(*457)	460	16	26	30½	11	31	37
Cable & Wire	850	31	63	71	14	38½	38
(*862)	900	8	28	47	45	59	65½
Courtaulds	500	28	43½	53	6	17	22
(*518)	550	5	19½	28	26	44½	49
Comm Union	580	32½	-	-	5	-	-
(*603)	620	8	-	-	30½	-	-
GKN	460	28	-	-	4½	-	-
(*486)	500	8	-	-	26	-	-
ICI	661	35	56½	-	8½	21	-
(*704)	750	4	22	31	50½	59	74
Kingfisher	650	28½	48½	63½	11	21½	29
(*665)	700	6	24½	38	39½	49	58
Land Secur	650	31½	44½	58	6	18	22
(*671)	700	8½	20½	32½	33½	48	48½
Marks & S	360	22	30½	37½	4½	10½	13½
(*376)	390	8½	15	22	18	25	28
NatWest	460	41	53	57½	2	8½	16
(*495)	500	12	27	32½	14	24	34
Sainsbury	420	21	33	45	10½	22	28
(*428)	460	6	16½	27	35	44	51½
Shell Trans.	650	14	34½	39½	12½	21½	30
(*651)	700	2	13½	18	51	53	64
Storehouse	220	9½	18	22	6	12½	15½
(*222)	240	2½	8	13	20½	25	28
Trafalgar	101	8½	-	-	4	-	-
(*102)	110	3	7½	10½	10½	14½	15
Unilever	1050	40½	68	81½	11½	31	42
(*1075)	1100	15	39½	54	36½	55	68½
Zeneca	700	[illegible]	52	61	14½	28	45
(*709)	750	7½	29	38½	46½	58½	73½
Option		Oct	Feb	May	Oct	Feb	May
Grand Met	390	18	30½	36	12	23	27
(*393)	420	7½	19	24	31½	42½	45½
Ladbroke	180	17	24½	28	3½	9	15½
(*195)	200	4½	14	16	14½	20½	27
Utd Biscuits	330	25	34½	38	8	14½	21
(*348)	360	7	19½	23½	23	30½	40½
Option		Oct	Dec	Mar	Oct	Dec	Mar
Fisons	160	17	22	26½	3	7	11
(*174)	180	4	11	16½	11½	17½	21½
Option		Nov	Feb	May	Nov	Feb	May
Brit Aero	420	28½	50½	59½	24½	41	49
(*422)	460	14	33½	42½	50	65	72½

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
BAT Inds	475	21	34	-	15	22½	-
(*477)	500	9	23½	28	38	35	46
BTR	380	15½	23½	28	10½	15½	19½
(*382)	390	4	11	14	36½	34	38
Brit Telecom	420	16	27	34½	8	16½	19
(*426)	460	4	10½	16½	34½	42	43½
Cadbury Sch	460	16½	32½	35½	12	18½	28½
(*465)	490	5	14½	18½	41	45	53½
Eastern Elec	550	29	38	47½	16½	28½	29½
(*563)	600	7	18	23½	41	48½	51
Guinness	420	21	33½	39	16	24½	28
(*422)	460	6½	16½	22½	46½	48½	57
GEC	330	38	38	42	12½	9	9
(*360)	360	10½	18	24	15	21	22
Hanson	240	21½	26½	27½	2½	7	9
(*236)	260	6½	13½	16½	10	16	16½
Lasmo	140	13	21½	25½	6	10	12½
(*146)	160	6½	12	17	18	21½	24
Lucas Inds	140	14½	19	22½	5½	8	12½
(*150)	160	4½	8½	12½	17½	21	24
P & O	550	38	49½	55	16	28½	32½
(*581)	600	10½	28	33½	47½	55	60½
Pilkington	140	13½	17½	29½	5½	10½	12½
(*146)	160	4½	8½	12	17	22½	24½
Prudential	330	19½	28½	32	7	12	18
(*339)	360	6	14	17	22½	28½	35
RTZ	650	57	73½	81½	7½	14½	21½
(*682)	700	24½	43½	51½	27	35½	42½
Redland	500	41	53½	61½	11½	16½	24
(*533)	550	13	28½	27	37½	45½	61
Royal Insce	288	24½	33	-	8½	11	-
(*303)	317	8	17	-	18½	26	-
Scot & New	466	28½	-	-	8½	-	-
(*475)	500	8½	-	-	30½	-	-
Tesco	200	10½	18½	22	9½	14	17½
(*207)	220	4	10½	13	24½	27	30½
Vodafone	460	50½	62½	72½	7	16½	21½
(*498)	500	25	38½	50	22	33	38½
Williams	300	28½	37	40	4½	9	14½
(*329)	330	10½	19½	24	17½	23	29½
Option		Nov	Jan	Apr	Nov	Jan	Apr
BAA	850	32½	43½	60	23	34	41
(*852)	900	12	21	39½	55	64	70
Thames Wtr	550	16½	26½	38½	16½	25	29½
(*550)	600	3	8	16½	57	68½	68
Option		Nov	Mar	Jun	Nov	Mar	Jun
Abbey Natl	380	30	36	41½	9	17½	21
(*404)	420	14	22½	28½	26	28	38
Amstrad	40	7½	9½	10½	2½	3½	4½
(*44)	45	4½	6½	8	4½	6	7
Barclays	500	27	38½	44½	17½	26½	31½
(*503)	550	8	17	25	51	58½	69½
Blue Circle	250	28½	31½	34½	6½	15½	23
(*269)	280	12½	21½	24½	20½	26½	33½
British Gas	300	31½	38	39	4½	8	12½
(*328)	330	9½	18½	22	18½	28½	27½
Dixons	240	30	35½	42	10½	14½	17½
(*257)	260	16½	25½	32	18½	23½	27
Eurotunnel	460	58	-	-	21½	-	-
(*480)	500	36½	-	-	41	-	-
Hillsdown	140	21½	24	24½	4	8½	11½
(*157)	160	8	12½	14	12	16½	23

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Lonrho	120	13½	18	20	8½	11	13
(*124)	130	8½	13	15½	12	16½	18½
Natl Power	360	25½	40	46	4½	9	14½
(*388)	390	16	25	31½	17	22	27½
Scot Power	350	29½	-	-	5	-	-
(*369)	380	7½	13	19	25	29½	31½
Sears	110	11½	14½	16	3½	5	7
(*117)	120	5½	8½	10½	8	10	12½
Forte	[illegible]	19	[illegible]	[illegible]	10	14½	18½
(*228)	240	9½	15	18½	22	26	31
Tarmac	125	11	16	18½	10	13½	17
(*138)	[illegible]	4	8½	11½	24	28½	29½
Thorn EMI	[illegible]	54½	67½	84½	20	34½	41
(*920)	950	29	43	58	47½	61	68
TSB	200	28	24	27	5½	11	13
(*211)	220	8	14	17½	16½	21	23
Tomkins	200	24	28½	33½	6	10½	12½
(*234)	240	12	17½	22	15	19½	22½
Vaal Reefs	69	16	-	-	6½	-	-
([illegible])	79	11	-	-	12	-	-
Wellcome	700	40	71	84½	37	59½	61½
(*712)	750	28	49	61½	67½	79½	89½
Option		Dec	Apr		Dec	Apr	
[illegible]	650	40½	70	-	35½	55	-
(*654)	700	26½	40½	-	65½	83½	-
HSBC 75p sh	650	66	85	-	18	34	-
(*680)	700	35½	57	-	37	58	-
Reuters	1500	95½	130	-	42	75½	-
(*1530)	1550	68½	102	-	66½	98	-
Option		Dec	Feb	May	Dec	Feb	May
[illegible]	140	5	17½	18	17½	18½	14½
(*144)	160	2	8½	8½	37	32½	28½

EURO FT-SE INDEX (*3016)

	2825	2875	2925	2975	3025	3075	3125	3175
CALLS								
Oct	189	142	98½	50	20½	16	5	2
Nov	205	162	123	88½	60	36½	22½	13½
Dec	223	182	[illegible]	110	81	58½	37½	23½
Mar	289	-	187	-	128	-	79	-
Jun †	288	-	218	-	157	-	110	-
PUTS								
Oct	4½	7	12	21½	42½	75½	115	162
Nov	9	15½	25½	40½	61½	89½	123	162
Dec	16½	28½	38	53	73	97½	127	162
Mar	41	-	65½	-	101	-	151	-
Jun †	54½	-	82½	-	120	-	169	-

FT-SE INDEX (*3016)

	2850	2900	2950	3000	3050	3100	3150	3200
CALLS								
Oct	169	122	80½	45	20½	7½	2½	½
Nov	189	145	108	78	49	28½	18	7
Dec	205	164	127	98	68	49	30	18
Jan	216	178	144	114	87½	65½	47½	32
Jun †	-	235	-	173	-	124	-	84½
PUTS								
Oct	6	8½	18	25½	57	87½	140	186
Nov	13½	21½	34	52	76½	108	140	184
Dec	22	32	44½	64	87½	117	154	196
Jan	28½	41½	58½	78	100	129	163	202
Jun †	-	91	-	117	-	168	-	231

September 24 Total Contracts 35,595
Calls 17,754 Puts 18,152
FT-SE Index Calls 4,340 Puts 6,641
Euro FT-SE Calls 1,297 Puts 1,234
*Underlying security price. †Long dated expiry dates.
Premiums shown are based on closing offer prices.

TRADITIONAL OPTION 3-month call rates

	p								
INDUSTRIALS		Cadburys	33	HSBC (75p shs)	54	Ratners	4	Brit Land	33
Allied-Lyons	45	Charter Cons.	55	Hanson	17	Reed Intl	52	Land Sec.	53
Amstrad	3½	Comm Union	48	ICI	45	Sears	7½	MEPC	[illegible]
Astec (BSR)	3½	Courtaulds	42	Ladbroke	15	SmKl Bchm A	34	**OILS**	
BAT Inds	39	Eurotunnel	40	Legal & Gen	38	TI	28	Arcon Intl.	8
BOC	49	FKI	12	Lex Service	34	TSB	15	Aviva Pet	9
BT	26	FNFC	9	Lloyds Bank	45	Tesco	17	BP	23
BTR	28	Forte	17	Lonrho	10½	Thorn EMI	75	Burmah Castrol	60
Barclays	38	GKN	40	Lucas Inds	12	Tomkins	18	Premier Cons	2½
Blue Circle	[illegible]	Gen Accident	62	Marks Spencer	27	T & N	18	Shell	48
Boots	[illegible]	GEC	25	NatWest Bank	28	Unilever	72	**MINES**	
Bowater	37	Glaxo	40	P & O Dfd	50	Vickers	12	RTZ	52
Brit Aerospace	28	Grand Met	36	Racal Elect	20	Wellcome	52		
British Steel	10	GRE	17	Rank Org	53	**PROPERTY**			

FT FIXED INTEREST INDICES

	Sep 24	Sep 23	Sep 22	Sep 21	Sep 20	Year ago	*High	*Low
Govt Secs (UK)	101.85	101.59	101.25	101.38	101.57	88.70	102.85	93.28
Fixed Interest	122.53	122.45	122.55	122.98	123.01	104.50	125.20	108.87

* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 125.20 (1/9/93), low 50.53 (3/1/75)
Basis 100 Government Securities 15/10/26, Fixed Interest 1928.

GILT EDGED ACTIVITY

	Gilt edged bargains*	5-Day Average
Sep 23	98.1	101.2
Sep 22	91.2	105.4
Sep 21	112.8	127.3
Sep 20	92.3	131.2
Sep 17	111.4	131.5

* SE activity indices rebased 1974

COMMODITIES

WEEK IN THE MARKETS

LME metal stocks top 4m tonnes

LME WAREHOUSE stocks of all base metals topped the 4m-tonne mark for the first time ever this week, underlining the parlous state of the world metals markets as traders wait with increasing impatience for the promised world economic recovery.

More than half the total was in aluminium stocks, which rose this week by 31,850 tonnes to a record 2,187,175, so it was fitting that that metal should be among the weakest on the exchange. The three months position closed last night at a five-month low of $1,119.50 a tonne, unchanged on the day but $19 down on the week.

The contract had begun the week with a test of resistance around $1,140 a tonne, but when this prove unbreachable the price quickly slipped back. It rallied half-heartedly on Thursday morning as part of the general LME response to the political turmoil in Russia, but, like the other metals, it was soon back on its downward course.

Aluminium did not register the biggest proportionate fall on the week, however, that was the lead market's dubious distinction. Despite rallying $7.25 yesterday the three months lead prices ended $8.25 down on the week at $380.50 a tonne. In the absence of fresh news traders attributed the earlier fall to a seven-year low to long-liquidation against a background of depressed consumer interest.

Enjoying better fortunes this week were two of the exchange's biggest recent losers – tin and nickel.

Three months tin edged down to a fresh 20-year low of $4,377.50 a tonne on Monday before the technically-inspired sellers who had driven the market ever lower in recent weeks decided that enough was enough and switched to being technically-inspired buyers. The ensuing rally was halted by resistance above the $4,600-mark on Thursday, but yesterday the three months price was able to move on to $4,627.50 a tonne, up $240 on the week.

There was nothing technical about nickel's late strength, which left the three months contract $43.50 up on the week at $4,390 a tonne. On Thursday it was announced that Inco of Canada, the biggest producer of the metal, was to discuss production cuts and other cost-reducing measures with unions.

The move came within days of the LME three months nickel price dropping below the equivalent of $2 a lb, the level many analysts had identified as the "crunch point" at which some big producers might be forced into the retrenchment they have been so stubbornly resisting in the face of soaring stocks, swollen by a big increase in shipments from the former Soviet Union, and plummetting prices.

Zinc was also a gainer early in the week, as the market built on last week's technical rally. But trade and merchant selling was attracted as three months metal moved above $900 a tonne and the price ended the week $1.50 down on balance at $892 a tonne.

The copper market continued the slide started by the sudden ending last week of the supply squeeze that had been propping up nearby delivery positions until the three months price hit bottom on Tuesday at $1,733 a tonne. A period of consolidation ensued and by yesterday's close the price had recovered to $1,766.50 a tonne, down $2 on the week.

A more direct consequence of the ending of the squeeze was the disappearnce of the cash delivery premium over three months metal, which had recently been as high as $80 a tonne, and its replacement by a discount that reached $20 a tonne this week before narrowing to $15 at yesterday's close. (Except when nearby availability is tight cash metal usually trades at a discount to forward positions, reflecting the costs of holding physical metal – principally storage, insurance and lost interest.)

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+17,400	to 2,187,175
Copper	+3,850	to 557,875
Lead	+750	to [illegible]
Nickel	+1,296	to 114,618
Zinc	+5,350	to 794,800
Tin	-115	to 21,305

Cocoa continued to be the star turn at the London Commodity Exchange this week, the December futures position following last week's £47 rise with a further £33 advance to £936 a tonne. That was trimmed back to £918 at yesterday's close, but market sentiment remained bullish and some traders were looking for an early test resistance at £949 a tonne, the peak reached in the summer of 1990. The more cautious noted, however, that this week's rise could be explained largely by the weakness of sterling against the US dollar, in which most international trade in cocoa is conducted.

The LCE's robusta coffee market continued to display the hesitation that had characterised last week's performance, following the exceptionally big gains of the preceding month. Having been boosted largely by growing confidence in the resolve of producers to make their export retention scheme work the market's bullish mood appeared to be fading with the approach of the start of the scheme next Friday.

As the market, which some traders thought had become a little "overbought", bowed to US selling pressure the November robustas price retreated by $69 to $1,225 a tonne in the first half of the week.

The fall was partly due to doubts circulating in the market about Brazil's ability to finance the necessary withholding of coffee beans from the market. That ghost was laid, however, by an announcement from Brasilia that financial arrangements for the scheme were already in place and the London market gained in confidence.

Renewed buying took the December price up to $1,299 a tonne yesterday, but then the rally ran out of steam and by the close it was back at $1,264 a tonne, down $30 on balance.

Richard Mooney

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Fri Sep 24	Day's change %	Thu Sep 23	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	128.80	+0.19	128.55	2.21	8.25
2	5-15 years (23)	154.82	+0.27	154.40	1.73	10.12
3	Over 15 years (9)	173.96	+0.27	173.49	1.10	9.70
4	Irredeemables (6)	204.55	+0.36	203.84	3.28	8.83
5	All stocks (62)	159.57	+0.25	159.20	1.81	9.50
	Index-Linked					
6	Up to 5 years (2)	185.98	+0.13	185.74	-0.85	4.28
7	Over 5 years (11)	183.61	+0.21	183.22	0.72	3.89
8	All stocks (13)	183.07	+0.21	182.68	0.64	3.92
9	Debs & Loans (66)	142.61	+0.29	142.20	2.28	8.23

AVERAGE GROSS REDEMPTION YIELDS

			Fri Sep 24	Thu Sep 23	Year ago (approx.)	1993 High		1993 Low	
	British Government								
1	Low	5 years	6.27	6.33	7.92	7.22	29/4	6.27	24/9
2	Coupons	15 years	7.16	7.18	8.71	8.37	12/1	6.98	8/9
3	(0%-7¾%)	20 years	7.28	7.30	[illegible]	8.64	20/1	7.10	13/9
4	Medium	5 years	6.56	6.60	8.57	7.56	11/1	6.43	8/9
5	Coupons	15 years	7.31	7.34	9.17	8.83	19/1	7.11	13/9
6	(8%-10¾%)	20 years	7.37	7.39	9.28	9.05	20/1	7.18	13/9
7	High	5 years	6.76	6.80	8.86	7.78	11/1	6.63	8/9
8	Coupons	15 years	7.54	7.57	[illegible]	9.11	20/1	7.34	13/9
9	(11%-)	20 years	7.55	[illegible]	[illegible]	9.29	20/1	7.36	13/9
10	Irredeemables(Flat Yield)		7.43	7.45	9.37	9.05	20/1	7.25	13/9
	Index-Linked								
11	Inflation rate 5%	Up to 5yrs.	2.58	2.59	3.56	3.03	25/5	1.82	12/2
12	Inflation rate 5%	Over 5 yrs.	3.21	3.22	[illegible]	3.89	14/1	3.14	13/9
13	Inflation rate 10%	Up to 5 yrs.	1.74	1.75	2.78	2.31	17/6	0.92	12/2
14	Inflation rate 10%	Over 5 yrs.	3.03	3.04	3.99	3.72	14/1	2.97	13/9
15	Debs &	5 years	7.88	7.92	10.00	8.97	4/1	8.41	16/3
16	Loans	15 years	8.22	8.24	10.51	9.94	19/1	9.14	10/3
17		25 years	8.35	8.37	10.54	10.10	19/1	9.38	10/3

AGF profits steady at FFr1.4bn for first half

By Alice Rawsthorn in Paris

ASSURANCES Générales de France (AGF), the French insurance company which is on the government's privatisation list, saw net profits stabilise at FFr1.41bn ($246m) in the first half of 1993, against FFr1.40bn a year earlier.

The static performance stemmed partly from the inclusion of a share of the losses at Comptoir des Entrepreneurs, the troubled finance group, which totalled FFr297m.

Mr Michel Albert, chairman, declined to forecast full-year earnings, but said he was confident in spite of the "difficult state" of the insurance market. He said he was "even more" confident about 1994.

AGF, the third-largest insurer in France behind Union des Assurances de Paris and Axa, saw turnover from insurance activities rise by 7.9 per cent to FFr32.6bn in the first six months of this year, from FFr30.2bn in the same period of 1992.


Michel Albert: AGF chairman confident over full-year result

French accident insurance business recovered, doubling net profits to FFr325m from FFr126m, and the reinsurance side made modest progress to FFr48m from FFr44m. AGF's insurance interests outside France moved out of the red with net profits of FFr212m against a loss of FFr89m.

The group said it had benefited from a slight improvement in conditions and from tighter cost control.

However, net profits from French life insurance business fell sharply to FFr858m from FFr1.05bn. Losses on financial interests deepened to FFr163m from FFr60m mainly due to the losses on its 29.7 per cent stake in Comptoir des Entrepreneurs.

The finance group is implementing a recovery plan. Losses totalled FFr900m in the first half of this year, against net profits of FFr23.7m at the interim stage last year.

The company said yesterday that the outlook for the full year was uncertain, but it was convinced that the worst of its problems were over and that the second half would show an improvement on the first.

Investors take stake in Burmese airline

By Simon Davies in Hong Kong

A GROUP of Asian businessmen have taken control of Myanmar International Airways (MIA), the Burmese airline, in the first large privatisation project by south-east Asia's most politically-isolated country.

The Prince of Brunei, Mr Oei Hong Leong (son of the founder of Indonesia's Sinar Mas group) and Mr Wong Fong Fui are the largest shareholders in a consortium which has purchased 70 per cent of MIA for US$10m. Burma's military government retains 30 per cent, and has an option to move back up to 50.4 per cent.

MIA has international landing rights for 37 countries, but little demand for the routes and few assets. Its ageing fleet has been passed on to the domestic airline, and a new aircraft has been leased from Royal Brunei Airlines to fly routes between Rangoon and Hong Kong, Singapore and Bangkok. Another aircraft will be taken on next year.

Mr Oei said: "Burma is like China was 20 years ago." His Hong Kong-listed company, China Strategic, operates more than 200 factories in China, injecting outside management into state-run businesses.

Mr Oei is confident that MIA will be profitable soon, once the government's push to attract tourism and foreign investment starts to make an impact. In 1992, only 20,000 tourists visited Burma, but the government claims that this figure will have risen to 500,000 by 1996.

The deal illustrates a changing attitude towards Burma by south-east Asia's businessmen. A Hong Kong-led consortium is renovating the colonial Strand Hotel in Rangoon (once one of the great hotels of Asia), and other Asian hotel groups such as Shangri-La and New World are understood to be considering projects.

The economy remains tightly controlled, with an artificial exchange rate – 7 kyats to the dollar, versus the black market rate of around 110 – but Mr Oei claims that the military is committed to economic change.

Since the military takeover in 1988, Burma has been shunned by the international community, although Korean and Thai companies are already active investors. Mr Oei argues: "If you isolate them, they can still survive. But if you change the economic environment, it will change the government."

Olivetti optimistic as deficit widens

By Haig Simonian in Milan

OLIVETTI, the Italian computers group, remained deeply in loss for the first half of this year. However, it claimed yesterday that the outlook for 1993 as a whole had improved due to greater competitiveness and a slight let-up in downward pressure on operating margins.

Although net group losses at L168.1bn ($105.7m) were considerably higher than the L93.4bn lost in first half of 1992, Mr Corrado Passera, joint managing director, said the figures were broadly similar.

Mr Passera pointed out that the 1992 deficit been partly masked by L170bn of accruals carried over from 1991.

According to Mr Passera, the first-half loss represented a small but significant upturn from the depressed figures in the second half of last year.

For the whole of 1992, Olivetti reported a net loss of L649.9bn.

Industry analysts expect the group to lose between L400bn and L450bn in 1993, while Olivetti itself predicts a return to break-even by December 1994.

Sales for the six months rose by 5.4 per cent to L3,949bn, with most of the increase coming in "a number of competitive European and US markets", Olivetti said.

However, turnover has been boosted by last year's sharp devaluation of the lira, which has swelled the value of foreign sales in lira terms.

Mr Passera said that although the devaluation had ostensibly helped competitiveness, the overall effect had been mildly negative because of appreciably higher prices for imported components.

Earnings had also been affected by the unexpectedly steep fall in domestic demand because of the recession.

Mr Passera said that the information technology industry remained under pressure because of overcapacity and competition.

However, although margins had continued to fall after precipitous declines in 1991 and 1992, "they are no longer dropping at the same speed", he added.

Olivetti said that its share of the European personal computer market rose to 6.2 per cent in June from 4.9 per cent at the same time last year, while shipments increased by more than 50 per cent.

There was also a rise in sales of printers, notably of bubble-jet models.

The group's financial position improved. Net borrowings dropped to L741bn at the end of June from L961bn last December, due partly to this year's L903bn rights issue.

Italian banks post advances in run-up to privatisations

By Haig Simonian

BANCA Commerciale Italiana and Credito Italiano, the two big Italian banks about to be moved fully into the private sector, yesterday both reported substantially higher first-half earnings.

The figures were announced as the Rome government approved legislation for privatisations. The changes allow for the introduction of "golden shares" and abolish the previous ban on the state lowering its stake in public-sector banks below 51 per cent of the capital.

BCI, the bigger of the two banks, said that pre-tax profits reached L387.1bn ($243m), net of L325bn in loan loss provisions, unrealised losses on securities and depreciation.

No comparable figure was released for the first half of 1992.

Earnings before taxes, depreciation and provisions, but after extraordinary items – the only figure allowing a direct year-on-year comparison – showed a strong improvement.

Profits amounted to L666.6bn for the six months, against L601.5bn.

BCI said earnings had been boosted by a 10.9 per cent rise in interest margins to L1,423bn and rapidly expanding fee-related business, which jumped 56.5 per cent to L824.4bn.

Operating costs, however, continued to rise at well above inflation, with an increase of almost 9 per cent to L1,312.6bn.

Credito Italiano's first-half profits amounted to L133bn after tax and provisions. As with BCI, no comparable half-year figure for 1992 was given. Credito Italiano made net profits of L206bn for the whole of 1992.

Gross operating profits jumped 55 per cent to L632bn from L405.5bn in the first half of last year.

The improvement was driven by a 17 per cent rise in interest margins to L1,203bn and a 55 per cent leap in fee-based income to L532bn.

At BCI the ratio of bad loans to total lending rose to 2.3 per cent from 2 per cent. At Credito Italiano the ratio reached 2.56 per cent.

● The Italian government is to extend the suspension of capital gains tax until June 30 1994. The cabinet approved a decree on the extension yesterday.

The suspension, which was warmly welcomed by the Milan bourse when it was implemented after long delays, has been seen as one of the most important factors stimulating Italian share prices this year.

Lufthansa buys 25% of Sky Chefs

By Frank McGurty in New York

LUFTHANSA, the German national airline, yesterday agreed to acquire a 25 per cent stake in Sky Chefs, a Texas-based food service business, in a move claimed to create the world's largest airline catering alliance with about $1.3bn in revenues.

LSG Lufthansa Service, the airline's food-service division, is to buy one quarter of Sky Chefs' existing stock for $75m. Onex, a diversified Canadian group, currently owns 80 per cent of company, with Sky Chefs' management holding the remainder.

Onex said the move was part of a global marketing accord between LSG Lufthansa, the largest in-flight food operation in Europe and Asia, and Sky Chefs, the second-biggest airline caterer in the US.

Sky Chefs has some $500m in turnover a year. The alliance will enable the companies to provide food services to airlines on a worldwide basis.

Trygg US arm to raise $355m

By Christopher Brown-Humes in Stockholm

TRYGG-HANSA SPP, the Swedish insurance group, said its US associate Home Holdings plans to raise $335m through an initial public offering and seek a listing on the New York Stock Exchange.

The group made the announcement as it unveiled a doubling of operating profits for the first eight months of the year to SKr975m ($121.1m) from SKr437m. The 1992 figure excludes the impact of SKr6bn in losses related to investments in Gota AB and two credit insurance operations.

The IPO will be in the autumn with the main aim of reducing Home's leverage. Home is the 34th largest insurer in the US, specialising in areas such as lawyers' professional liability insurance.

Trygg said Home's reserves would be strengthened by $290m to meet the rigorous requirements imposed on listed US insurers. The cost will be met partly by realised capital gains of $140m and partly by shareholders.

Trygg said its share of the reserve strengthening would wipe SKr450m off its result.

After the IPO, the Trygg-Hansa SPP group's total ownership of Home will fall to 47 per cent from 64 per cent, although it will have an option to purchase a further 5-10 per cent. Mr Björn Sprängare, Trygg's chief executive, said Home remained an important strategic investment.

Profits from Trygg's property and casualty business climbed 53 per cent to SKr510m in the period. The market value of investments rose 19 per cent to SKr21.1bn while solvency margin – the ratio of shareholders' funds to premiums – rose to 150 per cent from 134 per cent.

Enrico becomes vice-chairman at PepsiCo

MR ROGER Enrico is moving from the chairmanship of PepsiCo's worldwide food operations to become vice-chairman of the food and soft drinks group, writes Martin Dickson in New York. He will concentrate on co-ordinating long-term planning and developing PepsiCo executives.

Mr Enrico, 48, is widely tipped as the front-runner to succeed Mr Wayne Calloway, the 58-year-old chairman of PepsiCo.

● Mr Albert Eisenstat, executive vice-president and secretary of Apple Computer, is leaving the company and has filed a lawsuit in a dispute over his compensation.

Crédit Local reports 5% rise to FFr698m

By Alice Rawsthorn

CREDIT Local de France, the French bank which earlier this year staged a share sale on the Paris stock market, yesterday announced a 5.1 per cent increase in net profits to FFr698m ($122.5m) for the first half of 1993, compared with the same 1992 period.

The French banking industry has suffered in recent months from the impact of the recession on demand for credit and on property prices.

However, Crédit Local, a specialist bank which provides loans to local authorities, has been spared many of the problems that have affected its competitors in retail banking.

Mr Pierre Richard, chairman, described the group's first-half performance as "very satisfactory". He anticipated continued growth in the second half, with net profits increasing by around 7 per cent to between FFr1.26bn and FFr1.28bn for the full financial year.

Crédit Local saw net banking income rise by 6.8 per cent to FFr1.66bn at the interim stage this year, from FFr1.55bn in the first half of last year. Operating profits increased by 2.4 per cent to FFr1.07bn from FFr1.05bn, and exceptional charges were FFr10.2bn, against FFr4.2bn in the previous interim period.

McCain brothers call truce

By Bernard Simon in Toronto

WALLACE and Harrison McCain, the Canadian brothers who head the McCain potato-chip and frozen-food empire, have called a truce in their public feud over succession plans for the family-owned company.

The agreement means that instead of airing their dispute in open court, the brothers will renew attempts to reach a private settlement. If those efforts fail to achieve a deal by early next year, the family will resolve its differences through arbitration.

A court in New Brunswick was this week due to hear an application by Wallace for an injunction overturning a decision by the McCain Foods' board to oust him as joint chief executive by the end of this month.

Five minutes before the hearing was due, however, the judge was asked to postpone the case while the two sides hammered out a settlement. Under the agreement, Wallace will remain as joint chief executive while the company seeks a successor to the brothers.

The feud stems from a unilateral decision by Wallace three years ago to appoint his son Michael as head of McCain's US operations. Harrison said in an affidavit earlier this month that an atmosphere of "distrust, intrigue and manoeuvring" has since pervaded the business.

Wallace has argued that Harrison has felt threatened since he had a heart attack last year. Wallace said in a recent affidavit that failing the implementation of a previously agreed succession plan, his first choice was to split the company, which has annual sales of about C$3bn (US$2.3bn), into two roughly equal parts. He would take over the US and the Pacific Rim operations, leaving Harrison with the UK and European businesses. McCain is the biggest UK supplier of frozen potato chips.

Wallace has also proposed buying the two-thirds stake in McCain Foods which he and his branch of the family do not already own.

Ralston-Purina plans spin-offs

RALSTON-PURINA has approved a plan to divest its cereal and baby-food businesses, as well as a small baked-goods operation, writes Frank McGurty.

The three divisions generated $808.6m in revenues in 1991-92.

In a surprise move, Ralston added several other marginal businesses to the spin-off package, which it had proposed last month. These include two Colorado ski resorts, Breckenridge and Keystone.

The spin-off is subject to US government approval.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1993	Low 1993
Gold per troy oz.	$357.25	+5.25	$349.35	$405.75	$326.05
Silver Per troy oz	274.00p	+5.25	223.46p	362.50p	236.00p
Aluminium 99.7% (cash)	$1100.0	-19.5	$1273.5	$1240.00	$1100.00
Copper Grade A (cash)	$1749.5	-10.0	£1393.5	$2375.00	$1106.50
Lead(cash)	$367.0	-8.0	£349	$460.00	$367.00
Nickel (cash)	$4342.5	+49.0	$6870	$6340	$4293.5
Zinc SHG (cash)	$875.5	-2.0	$1335	$1112	$868.0
Tin (cash)	$4562.5	+242.5	$6455	$6047.5	$4340.0
Cocoa Futures (Dec)	£916	+13	£640	£916	£683
Coffee Futures (Nov)	$1264	-30	$804	$1297	$836
Sugar (LDP Raw)	$259.8	+3.0	$228.0	$317.4	$204.5
Barley Futures (Jan)	£105.0	+3.0	£120.95	£110.30	£101.50
Wheat Futures (Jan)	£104.5	-0.3	£123.00	£149.45	£103.95
Cotton Outlook A Index	55.10c	-0.40	55.75c	62.35c	54.60c
Wool (64s Super)	327p	+2	410p	403p	319p
Oil (Brent Blend)	$16.36x	+0.22	$20.425	$19.53	$15.665

Per tonne unless otherwise stated. p-pence/kg, c-cents lb, x-Nov.

COCOA – LCE (£/tonne)

	Close	Previous	High/Low
Sep	888	892	890 880
Dec	916	922	925 914
Mar	943	946	947 940
May	950	954	[illegible]
Jul	959	[illegible]	[illegible]
Sep	961	[illegible]	[illegible]
Dec	965	[illegible]	[illegible]
Mar	972	[illegible]	[illegible]
May	976	[illegible]	[illegible]

Turnover: 5655 [illegible]
ICCO indicator prices [illegible] for Sep 23 920.24 [illegible] 24 911.30 (908.70)

COFFEE – LCE ($/tonne)

	Close	Previous	High/Low
Sep	1306	[illegible]	[illegible]
Nov	1264	[illegible]	[illegible]
Jan	1258	[illegible]	[illegible]
Mar	1239	[illegible]	[illegible]
May	1225	[illegible]	[illegible]
Jul	1230	[illegible]	[illegible]

Turnover: 2555 [illegible]
ICO indicator prices [illegible] 22 Comp. daily 71 [illegible]

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Nov)		+ or -
Dubai	$14.08-4.10z	+.105
Brent Blend (dated)	$16.10-6.12	+0.26
Brent Blend (Nov)	$16.36-6.37	+0.16
W.T.I (1 pm est)	$17.65-7.68z	+0.17
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$182-184	
Gas Oil	$169-170	+1
Heavy Fuel Oil	$61-63	+1
Naphtha	$151-155	+6
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$357.25	
Silver (per troy oz)♣	410.50c	-3.00
Platinum (per troy oz)	$362.75	+0.75
Palladium (per troy oz)	$125.25	+1.00
Copper (US Producer)	87.0c	
Lead (US Producer)	36.63c	+1.13
Tin (Kuala Lumpur market)	11.11m	+0.26
Tin (New York)	210.0c	+5.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	120.58p	+5.08*
Sheep (live weight)†♣	79.69p	-0.88*
Pigs (live weight)†	82.29p	+2.00*
London daily sugar (raw)	$258.5	-0.9
London daily sugar (white)	$264.0	-0.5
Tate and Lyle export price	£284.5	+2.0
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£120s	
Wheat (US Dark Northern)	£166.5u	
Rubber (Nov)♥	58.25p	
Rubber (Dec)♥	58.50p	
Rubber (KL RSS No 1 Jul)	203.6p	-1.5
Coconut oil (Philippines)§	$425.0v	
Palm Oil (Malaysian)§	$345.0z	
Copra (Philippines)§	$265.0	
Soyabeans (US)	£199.0	+6
Cotton "A" index	55.10c	
Wooltops (64s Super)	327p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Nov y-Nov/Dec u-Oct t-Oct/Dec x-Aug/Sep ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR – LCE ($ per tonne)

White	Close	Previous	High/Low
Dec	273.00	278.70	273.50 270.10
Mar	275.60	278.00	277.00 274.00
May	277.30	278.90	277.80
Aug	282.60	283.50	282.65
Oct	274.80	277.40	274.80

Turnover 1295 (328) Paris- White (FFr per tonne): Dec 1574.39 Mar 1601.88

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Nov	16.35	16.24	16.46 16.29
Dec	16.53	16.45	16.66 16.48
Jan	16.70	16.68	16.90 16.67
Feb	16.89	16.86	16.93 16.82
May	17.30	17.30	17.20
Jun	17.46	17.43	17.43
Jul	17.54	17.48	17.54 17.48
IPE Index	16.11	16.40	

Turnover 29931 (45472)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Oct	164.75	164.00	165.25 164.50
Nov	165.50	165.25	167.25 165.75
Dec	167.50	166.00	168.25 166.50
Jan	167.75	167.00	168.00 167.50
Feb	167.75	167.00	168.00 167.75
Mar	166.50	165.75	166.75 166.00
May	164.00	163.00	163.75 163.00

Turnover 14524 (17873) lots of 100 tonnes

SPICES
Pepper prices moved lower this week, reports Man Producten. Indonesia reduced the price for Lampong Asta black pepper to a level that could compete in New York with Indian MG1. Meanwhile Malabar reinstated the export tax of 2 per cent as from October 1. White pepper prices stabilised at lower levels in a very thin market. White Muntok/Sarawak f.a.q. for September/October delivery was quoted at US$2,500 a tonne and spot at $3,500. Black Sarawak black label spot was $1,600 a tonne and September/October $1700. Yellow label spot was $1,675 and September/October $1,775. Brazilian grade 1 spot was $1,775.

FREIGHT – LCE ($10/index point)

	Close	Previous	High/Low
Oct	1475	1485	1480 1475
Nov	1482	1490	1490 1482
Jan	1486	1477	1490
Apr	1473	1463	1482
Jul	1400	1402	1400
BFI	1483	1484	

Turnover 66 (133)

POTATOES – LCE (£/tonne)

	Close	Previous	High/Low
Apr	83.7	86.7	85.5 83.7
May	97.7		97.7

Turnover 29 (50) lots of 20 tonnes.

GRAINS – LCE (£/tonne)

Wheat	Close	Previous	High/Low
Nov	102.70	102.10	102.75 102.60
Jan	104.55	103.95	104.55 104.40
Mar	106.55	105.95	106.55 106.40
May	108.55	108.15	108.55 108.50

Barley	Close	Previous	High/Low
Nov	103.25		103.25 102.80
Jan	105.35	104.90	105.35
Mar	107.15	106.70	107.15 106.85
May	108.50		

Turnover: Wheat 40 (28) Barley 76 (63)
Turnover lots of 100 Tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 32,870 lots	
Cash	1099.5-100.5	1100.5-1.5	1097	1096.5-7.0		
3 months	1119-20	1119-20	1122/1118.5	1116-6.5	1121.5-2.0	244,231 lots
Copper, Grade A ($ per tonne)					Total daily turnover 70,345 lots	
Cash	1749-50	1743.5-4.5		1749-50		
3 months	1766-7	1765-6	1773/1746	1765-6	1772-3	157,461 lots
Lead ($ per tonne)					Total daily turnover 4,325 lots	
Cash	366.5-7.5	366.5-9.5		365-4		
3 months	380-1	372.5-3.0	380/374	379-7	378-80	22,150 lots
Nickel ($ per tonne)					Total daily turnover 10,449 lots	
Cash	4340-5	4315-20	4325	4325-30		
3 months	4395-95	4385-70	4380/4340	4380-5	4375-80	46,074 lots
Tin ($ per tonne)					Total daily turnover 3,733 lots	
Cash	4560-5	4555-60	4560	4560-2		
3 months	4625-30	4600-5	4640/4585	4620-1	4610-5	10,669 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 10,826 lots	
Cash	875-6	877.5-8.5		869.5-70.0		
3 months	891.5-2.5	895-6	895/884.5	887-7.5	892-3	81,605 lots
LME Closing £/$ rate						
SPOT: 1.5080		3 months: 1.4984		6 months: 1.4894		9 months: 1.4829

[illegible] spot rate 1.4885

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

	$ price	£ equivalent
Gold (troy oz)		
Close	357.00-357.50	
Opening	356.10-356.50	
Morning fix	357.40	238.475
Afternoon fix	357.00	238.718
Day's High	358.50-359.00	
Day's Low	356.00-356.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.71	6 months	2.62
2 months	2.65	12 months	2.62
3 months	2.64		

Silver fix	p/troy oz.	US cts equiv
Spot	276.40	414.20
3 months	280.35	417.20
6 months	283.85	420.65
12 months	291.90	429.20

GOLD COINS

	$ price	£ equivalent
Krugerrand	358.00-359.00	238.00-241.00
Maple leaf	367.50-369.85	
New Sovereign	84.00-87.00	56.00-58.00

TRADED OPTIONS

Aluminium (99.7%)	Calls			Puts		
Strike price $ tonne	Oct	Jan	Oct	Jan
1100	26	53	13	20
1125	15	39	25	31
1150	7	27	42	44

Copper (Grade A)	Calls			Puts		
1700	62	111	14	28
1800	49	80	31	47
1850	26	56	58	72

Coffee LCE	Nov	Jan	Nov	Jan
1200	87	119	33	61
1250	61	95	54	85
1300	42	72	82	114

Cocoa LCE	Dec	Mar	Dec	Mar
725	166	225	1	7
750	156	200	2	7
775	145	182	4	14

Brent Crude	Dec	Jan	Dec	Jan
1600	37	65	45	55
1650	16	40	[illegible]	[illegible]
1750	9	26	[illegible]	[illegible]

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	357.0	358.1	0	0
Oct	357.5	358.6	358.8	356.8
Nov	358.0	359.2	0	0
Dec	358.4	359.7	360.1	357.5
Feb	359.1	361.2	361.0	358.8
Apr	360.6	361.9	361.6	360.1
Jun	362.0	363.3	0	0
Aug	363.5	364.7	0	0
Oct	365.0	366.1	0	0
Dec	367.8	368.4	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	364.4	363.7	364.9	362.6
Nov	364.4	363.7	0	0
Jan	365.1	364.4	366.3	363.5
Apr	366.1	365.4	365.9	365.5
Jul	367.5	366.8	0	0
Oct	369.0	368.3	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	411.8	415.8	410.5	0
Oct	412.2	416.4	0	0
Nov	413.1	417.3	0	0
Dec	414.3	418.5	417.5	410.0
Jan	415.1	419.4	0	0
Mar	417.5	421.8	420.0	412.0
May	421.5	425.7	423.5	417.0
Jul	421.5	425.7	425.0	420.0
Sep	425.5	429.7	0	0
Dec	429.0	433.2	431.5	0
Jan	431.3	435.7	436.0	430.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	78.10	77.20	78.10	77.20
Oct	78.10	77.20	78.10	77.10
Nov	78.45	77.30	0	0
Dec	78.55	77.40	78.75	77.20
Jan	78.70	77.60	0	0
Feb	79.00	77.70	0	0
Mar	79.10	77.90	79.20	78.00
Apr	79.20	78.05	0	0
May	79.30	78.20	79.25	78.75
Jun	79.45	78.35	0	0
Jul	79.60	78.50	79.50	79.10
Aug	79.80	78.70	0	0
Sep	79.90	78.90	79.90	0
Dec	80.20	79.20	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	17.75	17.63	17.78	17.57
Dec	17.97	17.87	17.97	17.81
Jan	18.19	18.09	18.18	18.03
Feb	18.32	18.24	18.36	18.20
Mar	18.44	18.37	18.42	18.33
Apr	18.54	18.50	18.60	18.51
May	18.64	18.60	18.60	18.58
Jun	18.74	18.69	18.75	18.65
Jul	18.84	18.78	18.82	18.80
Aug	18.94	18.88	18.95	18.89
Sep	19.05	18.98	18.95	18.95

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	[illegible]	53.60	54.00	53.25
Nov	54.40	54.25	54.80	54.00
Dec	55.15	55.12	55.60	54.85
Jan	55.80	55.82	56.05	55.30
Feb	55.65	55.77	55.85	55.40
Mar	54.70	54.90	54.95	54.65
Apr	54.02	54.02	54.10	53.75
May	53.50	53.12	0	0
Jun	52.95	52.82	52.80	52.30
Jul	52.82	52.62	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1177	1174	1181	1167
Mar	1209	1206	1213	1195
May	1218	1219	1226	1208
Jul	1235	1229	1236	1225
Sep	1250	1246	1245	1243
Dec	1263	1261	0	0
Mar	1285	1282	1281	1276
May	1302	1298	0	0
Jul	1318	1321	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	81.10	81.65	82.20	79.65
Mar	83.30	83.85	83.92	81.90
May	84.50	85.05	85.80	83.55
Jul	85.65	86.05	86.00	85.00
Sep	86.75	87.40	87.60	87.60
Dec	88.00	88.50	88.00	88.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.73	9.74	9.83	9.65
Mar	10.39	10.29	10.43	10.15
May	10.46	10.36	10.45	10.30
Jul	10.53	10.44	10.52	10.35
Oct	10.48	10.42	10.46	10.36

COTTON 50,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	57.70	57.15	57.90	57.25
Dec	58.95	58.06	59.70	59.10
Mar	60.95	60.55	61.05	60.55
May	61.65	61.30	61.55	61.10
Jul	62.15	61.73	62.20	61.80
Oct	62.10	61.80	0	0
Dec	62.10	61.80	62.50	62.10

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	124.15	124.20	125.20	123.50
Jan	125.80	125.80	126.95	125.40
Mar	127.10	127.50	127.50	126.75
May	128.50	128.10	128.25	127.70
Jul	129.05	128.10	0	0
Sep	130.05	130.15	130.00	130.00
Nov	130.05	130.15	0	0
Jan	130.05	130.15	130.00	130.00

INDICES

REUTERS (Base: September 18 1931 = 100)

Sep 24	Sep 23	mnth ago	yr ago
1604.5	1608.6	1628.1	1575.0

DOW JONES (Base: Dec. 31 1974 = 100)

	Sep 22	Sep 23	mnth ago	yr ago
Spot	121.88	120.13	122.55	118.99
Futures	122.89	125.55	126.70	118.71

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	647/4	649/2	650/0	645/0
Jan	653/6	655/6	656/2	651/4
Mar	660/0	661/4	662/0	657/4
May	662/0	663/6	663/4	660/0
Jul	666/2	667/4	669/0	664/2
Aug	663/4	663/4	664/0	662/0
Sep	643/0	645/0	645/0	643/0
Nov	628/2	629/2	631/0	628/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	24.28	24.42	24.47	24.22
Dec	24.39	24.57	24.63	24.34
Jan	24.39	24.63	24.56	24.33
Mar	24.38	24.51	24.50	24.33
May	24.33	24.37	24.40	24.28
Jul	24.23	24.25	24.38	24.18
Aug	24.00	24.00	24.05	24.00
Sep	23.77	23.75	23.80	23.75

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	197.7	198.5	199.2	197.0
Dec	197.9	198.6	199.0	197.0
Jan	198.4	199.0	199.2	197.5
Mar	199.7	200.7	200.2	199.4
May	200.8	201.4	201.5	200.7
Jul	202.1	202.9	202.8	202.0
Aug	201.9	202.0	202.2	201.8
Sep	201.5	202.0	202.0	201.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	248/6	248/6	249/0	247/6
Mar	255/2	256/0	256/0	255/0
May	260/0	260/2	260/2	259/2
Jul	262/2	262/4	262/4	261/2
Sep	256/6	256/2	256/6	256/6
Dec	251/0	250/2	251/2	250/0
Mar	257/4	257/0	0	0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	316/0	311/4	317/0	309/6
Mar	321/2	317/0	322/4	315/2
May	318/6	314/4	320/0	314/0
Jul	309/4	307/6	311/0	306/4
Sep	313/4	312/0	0	0
Dec	322/4	321/4	323/0	322/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	73.125	73.650	73.925	72.925
Dec	73.750	74.425	74.400	73.525
Feb	74.675	75.350	75.400	74.550
Apr	75.825	76.300	76.250	75.650
Jun	72.150	72.625	72.650	72.075
Aug	70.900	71.350	71.250	70.825
Oct	71.550	72.200	72.150	71.550

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	48.225	48.950	49.000	48.175
Dec	47.950	48.425	48.600	47.800
Feb	47.025	47.250	47.300	46.950
Apr	45.325	45.500	45.500	45.300
Jun	50.100	50.200	50.250	50.100
Jul	49.000	49.050	49.150	49.000
Aug	47.550	47.800	47.825	47.550
Oct	44.075	44.075	0	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	51.750	51.900	52.300	51.700
Mar	51.500	51.500	51.950	51.375
May	51.800	52.600	52.600	51.800
Jul	51.775	51.550	52.600	51.800
Aug	50.950	51.225	52.250	51.775
			51.150	50.950

هكذا من الأصل

it widens

Lufthansa buys 25% of Sky Chefs

Ralston-Purina plans spin-offs

Chicago

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar stronger on crisis

THE CONTINUING crisis in Russia was again the dominant theme in currency markets yesterday, pushing the dollar up to a high of DM1.6575 on the day, *writes James Blitz.*

For most of this week, the movements in the dollar/exchange rate have been entirely determined by events in Moscow. Yesterday, the dollar got off to a very strong start as news was flashed on agency screens that there had been shooting outside the headquarters of the Commonwealth of Independent States.

Mr Yeltsin's order that troops inside the White House building had to disarm themselves also helped the dollar to its highs for the day. An additional factor was the onset of the weekend: few dealers wanted to be short of dollars over Saturday and Sunday lest events got out of control.

However, towards the end of European trading yesterday, a succession of statements suggested that there would be no violence in Moscow in the immediate future, and the dollar drifted down again.

The US currency closed at DM1.6485 from a previous DM1.6450.

Events in Moscow are so unpredictable that it would probably be unwise for any dealer to be too short of dollars next week. But the experience of the market is that political crises like the Gulf War and the overthrow of President Gorbachev have only short term effects on exchange rates, and the dollar is likely to drift down again.

The Bundesbank meeting in two weeks time will also be Mr Hans Tietmeyer's first as Bundesbank President – so there is unlikely to be any easing in German monetary policy until October 7 at the very earliest.

The D-Mark's performance on the European crosses matched that against the dollar. While weak in the European morning, the D-Mark soon came back. It closed unchanged against the French franc at FFr3.481.

The Danish krone has had a far more robust performance in recent days, and was further helped by yesterday's ½ percentage point cut in Danish interest rates. It closed at DKr4.04 from a previous DKr4.07.

Sterling had a weaker performance against the D-Mark than any other currency. Thursday night's report from the Confederation of British Industry showed that export orders for manufactured goods have slipped this month to their lowest level since April. This prompted more rate cut speculation in sterling money markets and this had a knock-on effect on the currency, which closed at DM2.4750 from a previous DM2.4775.

£ IN NEW YORK

Sep 24	Latest	Previous Close
£ Spot	1.5030-1.5040	1.5050 1.5060
1 month	0.35-0.34pm	0.36 0.34pm
3 months	1.02-0.99pm	1.05 1.02pm
12 months	3.15-3.05pm	3.27 3.17pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England (Base Average 1985=100) *Rates are for Sep 23

OTHER CURRENCIES

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Sep 24	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Dutch Guilder	2.19672	2.15228	-2.02	6.71	-
D-Mark	1.94964	1.91731	-1.66	[illegible]	-
Spanish Peseta	154.250	153.346	-0.59	5.17	4
Irish Punt	0.808628	0.820215	1.43	3.08	-10
Portuguese Escudo	192.854	198.099	1.90	2.83	-11
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.502	2.475	159.3	8.615	2.158	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	0.666	1	1.648	106.1	5.736	1.437	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.404	0.607	1	64.36	3.481	0.872	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	6.277	9.429	15.54	1000.	54.08	13.55	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.161	1.743	2.873	184.9	10.	2.505	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.463	0.696	1.147	73.82	3.992	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.360	0.541	0.891	57.34	3.101	0.777	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.419	0.629	1.036	66.68	3.606	0.903	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.505	0.758	1.249	80.41	4.349	1.089	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.884	2.845	4.688	301.7	16.32	4.087	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pta	0.505	0.758	1.249	80.37	4.347	1.089	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	0.770	1.157	1.907	122.7	6.637	1.663	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.5015	1.4980	1.4915	1.4839	1.4707
D-mark	2.4750	2.4771	2.4665	2.4634	2.4528
French Fr.	8.6150	8.6244	8.6433	8.6616	8.6638
Swiss Fr.	2.1575	2.1555	2.1513	2.1449	2.1295
Yen	108.00	106.96	104.70	103.40	101.38

FINANCIAL FUTURES AND OPTIONS

[illegible]

OPTIONS ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls October	Calls December	Calls March	Puts October	Puts December	Puts March
121	-	2.43	-	-	0.22	-
122	-	1.66	-	0.05	0.43	-
123	0.39	1.08	-	0.16	0.82	-
124	0.06	0.61	-	0.82	-	-
125	0.01	0.31	-	-	-	-
Open int	52,296	185,984	43,723	42,222	154,382	24,076

Estimated volume [illegible] † Total Open Interest [illegible]

† All Yield & Open Interest figures are for the previous day.

MONEY MARKETS

Hints of cutting

FRENCH FRANC interest rate futures rose sharply yesterday amid signs that the Bank of France might ease monetary policy next week, *writes James Blitz.*

There was no formal statement or move by the Bank of France yesterday. But dealers noted that the central bank did little to obstruct a 20 basis point fall in the overnight rate of French francs, down to around 7.15 per cent.

It is now some 40 basis points above the intervention rate at 6.75 per cent. One dealer said that the central bank had been gently adding liquidity to the market.

UK clearing bank base lending rate 6 per cent from January 26, 1993

Another strong indication that Europe is in for another round of policy easing was Denmark's ½ percentage point cut in all its key interest rates. Its discount and key deposit rates came down to 8.25 per cent from 8.75 per cent.

Are there any reasons for a Europe-wide easing in policy now ? The weakness of the D-Mark against the dollar has given some central banks plenty of opportunity to rebuild reserves.

Some dealers also wondered yesterday whether France would come under pressure at this weekend's G7 meeting for not reducing rates, and speculated that a rate cut on Monday would help counter criticism.

The better tone was felt across the board in French franc futures. The December contract, for example, rose 17 basis points to close at 93.78.

German interest rate futures were somehat more subdued, possibly because of continuing pressure on the D-Mark because of the Russian crisis.

The December contract was up 2 basis points on the day at 93.90. Call money was again very tight, despite an injection of Paragraph 17 funds by the Bundesbank. It was quoted around 6.95 per cent from a previous 6.85 per cent.

Sterling interest rate futures were very buoyant, helped by Thursday night's report from the Confederation of British Industry showing that export orders for manufactured goods have slipped this month to their lowest level since April.

This raised speculation of more rate cutting. The Decmeber short sterling contract was up 7 basis points on the day at 94.40. Three month sterling closed on a very narrow spread of 5$\frac{11}{16}$ per cent to 5$\frac{9}{16}$ per cent. There was a shortage of £900m, most of which was renoved in afternoon trading.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

BANK RETURN

BANKING DEPARTMENT	Wednesday September 22,1993	Increase or decrease for week
LIABILITIES	£	£
Capital	14,553,000	
Public Deposits	1,539,847,592	- 121,930,290
Bankers Deposits	1,529,371,536	- 110,806,974
Reserve and other Accounts	3,317,688,607	+ 42,968,525
	6,401,460,835	- 189,768,739
ASSETS		
Government Securities	1,208,260,193	- 65,275,000
Advance and other Accounts	4,345,014,937	+ 281,958,423
Premises Equipment & other Secs	842,462,494	- 406,270,297
Notes	5,483,599	- 194,703
Coin	239,612	+ 12,838
	6,401,460,835	- 189,768,739
ISSUE DEPARTMENT		
LIABILITIES		
Notes in circulation	17,064,516,401	- 39,805,297
Notes in Banking Department	5,483,599	- 194,703
	17,070,000,000	- 40,000,000
ASSETS		
Government Debt	11,015,000	
Other Government Securities	6,819,456,574	- 166,412,992
Other Securities	10,239,528,326	+ 126,412,992
	17,070,000,000	- 40,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	NatWestminster	6
Allied Trust Bank	6	Duncan Lawrie	6	Nykredit Mortgage Bnk	6.5
AIB Bank	6	Exeter Bank Limited	7	●Rea Brothers	6
●Henry Ansbacher	6	Financial & Gen Bank	7	* Roxburghe Bank Ltd	6
B & C Merchant Bank	13	●Robert Fleming & Co	6	* (in administration)	
Bank of Baroda	6	Girobank	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	●Guinness Mahon	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	Habib Bank AG Zurich	6	Standard Chartered	6
Bank of Ireland	6	●Hambros Bank	6	TSB	6
Bank of India	6	Heritable & Gen Inv Bk	6	●United Bk of Kuwait	6
Bank of Scotland	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Barclays Bank	6	C. Hoare & Co	6	Western Trust	6
Brit Bk of Mid East	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
●Brown Shipley	6	Julian Hodge Bank	6	Wimbledon & Sth West	7
CL Bank Nederland	6	●Leopold Joseph & Sons	6	Yorkshire Bank	6
Citibank NA	6	Lloyds Bank	6		
City Merchants Bank	6	Meghraj Bank Ltd	6		
Clydesdale Bank	6	McDonnell Douglas Bk	6		
The Co-operative Bank	6	Midland Bank	6		
Coutts & Co	6	Mount Banking	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ф Bargains done the previous day.

British Funds, etc

Treasury 13¾% Stk 2000/03 - £136¼ 135⅞ 135⅞

Exchequer 10½% Stk 2005 - £125⅜ (20Se93)

Guaranteed Export Finance Corp PLC 12⅞% Gtd Ln Stk 2002(Reg) - £134⅜ ⅜

Corporation and County Stocks

[illegible]

UK Public Boards

[illegible]

Foreign Stocks, Bonds, etc- (coupons payable in London)

[illegible]

Kyushu Electric Power Co Inc 8% Nts 1997 (Br £ Var) - £103⅜ (20Se93)

Ladbroke Group PLC 5½% Subord Cnv Bds 2004(Br£1000&5000) - £131 ¼ 2 (22Se93)

Ladbroke Group PLC 8⅞% Bds 2003 (Br £ Var) - £102½ (22Se93)

Ladbroke Group Finance(Jersey)Ltd 9% Cnv Cap Bds 2005 (Br£5000&100000) - £104½ (21Se93)

Land Securities PLC 9½% Bds 2007(Br£10000&100000) - £102¾

Land Securities PLC 9⅜% Cnv Bds 2004 (Br£5000&50000) - £121½

Lasmo PLC 7¾% Cnv Bds 2005(Br£1000&10000) - £95½ (17Se93)

Lasmo PLC 9½% Nts 1999 (Br £ Var) - £105½ ⅝ (22Se93)

Leeds Permanent Building Society 10½% Subord Bds 1999 (Br£5000) - £111.2 (22Se93)

Leeds Permanent Building Society 11½% Nts 1996 (Br £5000&100000) - £110 (22Se93)

Lewis (John) PLC 10½% Bds 2014 (Br£10000&100000) - £130.575

Lloyds Bank PLC 9⅝% Subord Bds 2023 (Br £ Var) - £112¼ (22Se93)

[illegible]

New Zealand 11¼% Stk 2008(Reg) - £128⅜

Petroleos Mexicanos 14½% Ln Stk 2006 - £124 5.7 ¾ 7 (21Se93)

Portugal(Rep of) 9% Ln Stk 2016(Reg) - £110⅞

Province de Quebec 12¼% Ln Stk 2020 - £142⅛ .1375 ⅞ ¼ (22Se93)

Spain(Kingdom of) 11¾% Ln Stk 2010(Reg) - £135⅞ (22Se93)

Sweden(Kingdom of) 9¾% Ln Stk 2014(Reg) - £118¼ф

Trinidad & Tobago(Republic of) 12¼% Ln Stk 2009(Reg) - £103¼ (21Se93)

Sterling Issues by Overseas Borrowers

[illegible]

Listed Companies(excluding Investment Trusts)

[illegible]

Carlisle Group PLC 4.35% (Net) Red Cnv Prf 1998 £1 - 55 (21Se93)

Carlton Communications PLC ADR (2:1) - $22.95 (17Se93)

Carlton Communications PLC 7½% Cnv Subord Bds 2007(Reg £5000) - £125¼ (22Se93)

Cater Allen Gilt Income Fd Ltd Ptg Red Prf 1p - 608 (21Se93)

Caterpillar Inc Shs of Com Stk $1 - $76¾ф

Cerdex Corporation Shs of Com Stk $0.25 - $40.286ф .508ф

Charwood Alliance Hldgs Ltd 7½% Uns Ln Stk 50p - 41 (21Se93)

Cheltenham & Gloucester Build Soc 11¾% Perm Int Bearing Shs £50000 - £124¼ф

[illegible]

10.842598 10.842589 10.84257 10.842571 (20Se93)

IWS Group PLC 8% Subord Cnv Uns Ln Nts Ir21 - I£35 (22Se93)

IS Himalayan Fund NV Ord FL0.01 - $12½ф

Iceland Group PLC Cnv Cum Red Prf 20p - 164 5 6 7 8

Inch Kenneth Kajang Rubber PLC 10p - 24.6 (17Se93)

Industrial Control Services Grp PLCOrd 10p - 158 9 62

Intl Stock Exchange of UK&Rep of IrLd 7¼% Mtg Deb Stk 90/95 - £89½ (21Se93)

Irish Life PLC Ord Ir£0.10 - I£2.09 p 200

Jardine Matheson Hldgs Ltd Ord $0.25 (Hong Kong Register) - $H81⅞

[illegible]

Porter Chadburn PLC 8% Cnv Cum Red Prf 1993 £1 - 90 (17Se93)

[illegible] Ltd Ord R0.02 - 210 (22Se93)

Powell Duffryn PLC 4½% Cum Prf 50p - 28 (20Se93)

PowerGen PLC ADR (10:1) - $41.2 (20Se93)

Premier Health Group PLC Ord 1p - 1½ 2 (22Se93)

Prudential Currency Fund Ld Ptg "C" Red Prf 1p - 317.1 (17Se93)

[illegible]

Investment Trusts

[illegible]

USM Appendix

[illegible]

Rule 535(2)

[illegible]

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Brush Wellman $12.125ф (17/9)
City Developments $$8.312ф (20/9)
Devex 20 (22/9)
Forest Laboratories $36⅛ (22/9)
General Securities Investment $$1.878 (22/9)
Hecma North West A$0.2575
Idaho Power Co. $32ф (22/9)
Keystone International $25ф (17/9)
Kollmorgen Corp $8.450ф
Kulim Malaysia 43
Mount Martin Gold Mines A$0.475 (21/9)
Mugini Mining 165 (22/9)
North Flinders Mines A$11.41 (21/9)
Oil Search 30
Orbit Oil & Gas 115 (17/9)
Patrick Petroleum $2.70ф
Petroleum Securities Aust. A$0.3472 (20/9)
Regal Hotels (Hldgs.) 7½ (22/9)
Robinson & Co. S$7.30 (20/9)
Sapphire Mines A$0.138 (22/9)
Sherritt Gordon C$9.253ф (22/9)
Teck Corp. "A" $62½ (22/9)
Valiant Consolidated A$0.365

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FT-SE ACTUARIES INDICES

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Correction

Saturday September 18: London Stock Exchange Dealings
We regret last Saturday's Financial Times contained incorrect information for the London Stock Exchange Dealings, due to production problems. Corrected figures can be obtained from FT Statistics, No1 Southwark Bridge, London SE1 9HL. Telephone (London) 071 873 4880.

LONDON STOCK EXCHANGE

Shares continue to hold their ground

By Terry Byland,
UK Stock Market Editor

Account Dealing Dates		
*First Dealings:		
Sep 6	Sep 20	Oct 4
Option Declarations:		
Sep 16	Sep 30	Oct 14
Last Dealings:		
Sep 17	Oct 1	Oct 15
Account Day:		
Sep 27	Oct 11	Oct 25

*New time dealings may take place from two business days earlier.

THE UK stock market continued yesterday to consolidate around its current levels, encouraged by indications during the day that the chances of serious political conflict in Russia appeared to be diminishing.

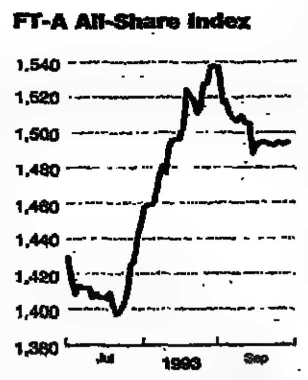
Equities were also helped by further gains in government bonds and also by analysts' suggestions that, despite this week's unimpressive flow of corporate news, prospects for UK corporate earnings may be stronger than expected.

The FT-SE Index passed the day shuffling around its overnight levels, moving in a narrow range between 3,006.9 and 3,002.2. But the Index was in positive ground throughout the session and the final reading, up 3.9 at 3,005.2, implied a further strengthening of the lower end of the latest trading range. The FT-SE Mid 250 Index gained 1.6 to 3,431.9.

This week has brought what must be the smallest recorded shift in the Footsie – down a mere 0.3 points. The Footsie 3,000 mark has been successfully held despite the uncertainties associated with the political clash in Russia. Firmness in the US dollar and in other European continental markets has buoyed London. Trading volumes have also been good and trading has been little affected by the political drama in Russia. High retail, or customer, volume in UK equities has sustained confidence in the securities markets.

Company results, an actively restraining influence on UK share prices, continued to present a mixed picture yesterday, with John Mowlem, the building group, reporting increased losses.

But analysts at Kleinwort Benson, the UK merchant banker, and at James Capel, the London institutional broking house, published favourable comments on the outlook for UK company profits.



Trading volume was fairly poor, however, with Seaq business reaching only 527.3m shares compared with 713.5m on Thursday; non-Footsie business made up around 61 per cent of the total. In the previous session, retail business jumped to £1.63bn, at the higher end of the improved trading range of the past 12 months.

Long-dated UK government bonds edged higher without attracting much turnover. In the shorts, the closest reflection of base rate hopes, gains were very small. However, there was some interest in Index-linked gilts which put on about ½ a point.

TRADING VOLUME IN MAJOR STOCKS

[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Doubts on GrandMet changes

DETAILS of the awaited boardroom changes at food and drinks group Grand Metropolitan took the market by surprise and unsettled the shares as market watchers tried to rationalise the moves. Sentiment was further weakened by a profits downgrading from a UK broker.

The company not only announced it was splitting the role of chief executive and chairman currently held by Sir Allen Sheppard but named Mr George Bull, now head of the food division, as the new chief executive. The market had for some time assumed that Mr Ian Martin, the managing director, would become the new chief executive.

Uncertainty reflected market fears that the changes might be an indication of problems at the group. The shares gave up 15 to 393p, after heavy trading of 8.5m shares.

The jitters over GrandMet came as sentiment in the drinks sector was at a low ebb following the poor results from Guinness earlier this week. NatWest Securities yesterday downgraded profit expectations at GrandMet. It reduced the current year estimate by £24m to £941m and cut the following year's figure by £38m to £1,047m.

Healthcare switch

Consideration of President Clinton's health reforms continued yesterday to affect those UK health stocks with significant exposure to the US.

The main feature in the London stock market was a switch of holdings from Zeneca, the recently demerged pharmaceuticals arm of ICI, to Glaxo.

President Clinton has said pharmaceutical companies will have to offer a 15 per cent discount on drugs sold to Medicare, the health system which offers subsidised treatments to the elderly and which represents 30 per cent of the US health budget. Analysts said Glaxo, which rose 132 to 654p had less exposure to Medicare than Zeneca, which fell 11 to 710p.

Healthcare group Fisons was the subject of renewed takeover speculation, this time from both Zeneca and ICI. Although one of the oldest outstanding bid stories in London, Fisons shares lifted 7¼ to 174p.

Oil stocks were firmer, reflecting a pick-up in crude oil prices and expectations of an advantageous outcome to the weekend's OPEC conference. Among the majors, Shell Transport improved 6½ to 651p while BP was marginally firmer at 302p. The exploration and production companies were also a good market. Enterprise rose 4 to 432p and Lasmo gained 2¼ to 146½p.

Insurance broker Willis Corroon lifted 4 to 229p after announcing plans to sell its 56 per cent stake in subsidiary Gryphon Holdings. Gryphon holds the group's two US insurance companies – Associated International Insurance and Calvert Insurance – which write commercial property and casualty policies for small- to medium-sized insurers. However, Hoare Govett downgraded its recommendation from hold to overvalued arguing that the yield was too low in the light of the weak balance sheet and poor recovery in US casualty insurance.

Shares in Hepworth, the building materials group, rose 7 to 377p in spite of a fall in interim profits to £27.5m from £32.8m. The figure was better than most analysts forecast and the operating profit by division was better than expected. UBS raised its forecasts for the full year to £60m but remains a holder of the stock preferring to invest in MB-Caradon, off 4 at 319p.

Bargain hunters caused a turnround in several of the food retailing stocks after gloomy sessions that followed the release of disappointing figures. Tesco firmed 4½ to 202p, while its rival J Sainsbury gained 8 to 428p. Asda edged a penny forward to 60½p.

Shares in Thorn EMI remained under a cloud as worries about the company's US Rent-A-Center operation continued. Nervous selling saw the shares give up 22 to 922p. The US subsidiary contributes between 15 and 16 per cent to group profits.

The recent selling in Ladbroke appears to have dried up and the shares finished 6 ahead at 195p. However talk that the final dividend could be cut continued to circulate.

In the rest of the drinks sector, the poor figures from Guinness released earlier this week continued to exact a toll and the shares lost another 5 to 422p in trade of 4.1m.

The other stock to be downgraded by NatWest Securities in the sector was Allied Lyons. The shares gave up 8 to 563p, after the securities house reduced the current year profits estimate by £15m to £669m.

Several analysts were surprised to see shares in Mirror Group Newspapers gain 2 to 180p ahead of a big stake sale. The book-building process for the sale of the 54.8 per cent holding currently with the administrator begins on Monday and was expected to depress the share price.

Shares in BICC advanced 7 to 420p, after it won two new contracts. The company won a contract for work on the M8 motorway in Scotland said to be worth about £39m. BICC is also believed to have secured a £50m contract for a waste water scheme in Egypt.

The two new contracts rounded off a favourable week for the group in which its Balfour Beatty subsidiary signed a memorandum of understanding with Malaysia on project management contracts for building the country's new international airport.

Williams de Broe was particularly active in the stock yesterday and Mr Mustapha Omar at the broker believes, "the 6 per cent yield premium is likely to fuel advances in the share price."

Among stores, SG Warburg was said to have been positive on Kingfisher where the shares advanced 4 to 668p.

US buying was seen in British Steel and volume rose to 14m as the shares firmed 4 to 119½p.

Further consideration of results from Quality Software, the developer and retailer of financial computer packages, sent the shares down another 49 to 479p.

MARKET REPORTERS:
Peter John,
Joel Kibazo.

■ Other statistics, Page 13.

CHIEF PRICE CHANGES YESTERDAY

London (Pence)			
Rises			
Blenheim	320	+	18
Canning (W)	154	+	7
Euro Disney	673	+	20
First Earth Tiles	68	+	10
Glaxo	654	+	12
Hi-Tec	68	+	6
INVESCO	173	+	8
Waterman Part	41	+	4
Falls			
Advest	151	-	6
Bluebird Toys	501	-	16
Fairline Boats	310	-	14
Ferrum	16	-	3
Grand Metropolitan	393	-	14½
Hopkinsons	47	-	3
Mowlem (J)	112	-	8
Novo	38	-	4
Proteon	436	-	23
Quality Software	479	-	49
Steel Burrill Jones	139	-	15
Thorn EMI	922	-	24

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (77). AMERICANS (6) Citicorp, Exxon, Ford Motor, Lowe's, Sears Roebuck, Time Warner, CANADIANS (1) Hawker Siddeley Can., BREWERS (1) Wetherspoon, BLDG MATLS (5) BPB Inds., Grafton, Latham, Sheffield Ins., Travis Perkins, CHEMS (3) Canning, Halstead, CONTG & CONSTRCN (4) Banner Homes, Crest Nicholson, NSM, Wilson Bowden, ELECTRICALS (1) Ericsson, ELECTRICITY (4) Manweb, South Wales, Southern, Yorkshire, ELECTRONICS (5) Amstrad, Redime, Telemetrix, INSCE COMPOSITE (1) Travelers, INV TRUSTS (16) Baring Chrysalis, Do. Wnts., Bluech Pl., City of Oxford Wnts., Finsbury, Fleming Euro. Fledgling, Gartmore Chile Ptg., Grahams Rintoul, New Frontiers, Do. Stepped Ln. 2010, Singapore SESDAQ, South American Fd., Do. Wnts., Spanish Smaller Co's., Thompson Clive, MEDIA (3) Central ITV, LWT, News Corp., MTL & MTL FORMING (2) Brit. Steel, Garton Eng., MISC (5) Alumasc, Eurocopy, Holders Tech., Spandex, Waterman Part., OTHER FINCL (3) Cater Allen, First Natl. Fin. 7pc Pf., Interim Justis, OTHER INDLS (3) Metrolect, Nostros, PACKG, PAPER & PRINTG (3) Hunters Armley, Kleenfold, PROP (8) Burford, Chesterfield, Green Prop., RPS, Town Centre, STORES (3) Cannons, Fired Earth Tiles, Great Universal, Do. A, Beam, TEXTS (3) Alexandra Workwear, Jerome, Lamont, TRANSPORT (4) Clarkson, Norish, P & O Ships Pfd., TNT.

NEW LOWS (14). BRITISH FUNDS (2) Treas. 13¾pc 1993, Treas. 14½pc 1994, AMERICANS (1) Anheuser-Busch, BREWERS (1) Guinness, BUSINESS SERVS (1) REA, CHEMS (1) Chemex, CONTG & CONSTRCN (1) Donelon Tyson, ELECTRICALS (1) Burnfield, ENG GEN (1) Ferrum, FOOD RETAILING (1) Morrison (Wm), HEALTH & HSEHOLD (1) Seton Healthcare, HOTELS & LEIS (1) First Leisure, INSCE BROKERS (1) Steel Burrill Jones, MISC (1) Pl.

EQUITY FUTURES AND OPTIONS TRADING

TRADING volumes continued to fall away in London stock index markets yesterday as investors took a calmer view of the week's events in Russia, writes Terry Byland. After moving within a range of 18 points, the December contract on the FT-SE Index closed at 3,035, a 27 point premium to the cash market but only about 3 points to the Fair Value, cash and carrying costs, premium.

Salomon International was believed to have been a large seller of the December contract, selling about 1,000 contracts out of the day's total business of 7,595; earlier this week, daily turnover topped 15,000 contracts.

Traded options had a brisk session, recording 36,996 contracts against 28,890, with the FT-SE contract active at 14,891 contracts. The Euro FT-SE option recorded 2,580 deals. Individual share contracts also had an active day, with Glaxo (4,358 contracts) still responding to President Clinton's healthcare proposals. Amstrad, the computer manufacturer, saw 3,398 contracts traded.

FINANCIAL TIMES EQUITY INDICES

	Sep 24	Sep 23	Sep 22	Sep 21	Sep 20	Year ago	*High	*Low
Ordinary share	2309.1	2312.4	2329.1	2324.8	2328.3	1914.0	2414.2	2124.7
Ord. div. yield	4.03	4.03	3.99	4.00	3.99	4.62	4.52	3.82
Earning yld % full	4.75	4.74	4.70	4.71	4.70	6.73	6.38	4.61
P/E ratio net	26.86	26.93	27.14	27.08	27.16	18.83	28.30	19.40
P/E ratio nil	24.79	24.85	25.05	25.00	25.08	17.47	26.14	18.14
Gold Mines	178.9	173.9	176.6	174.9	174.3	78.8	249.2	80.0

*for 1993. Ordinary share index since compilation: high 2414.2 31/8/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Base Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low‡
2313.8	2313.5	2313.6	2311.8	2311.3	2311.1	2310.4	2311.8	2309.8	2315.1	2309.0

Volume	Sep 24	Sep 23	Sep 22	Sep 21	Sep 20	Year ago
SEAQ Bargains	26,242	27,524	27,746	26,172	27,711	29,449
Equity Turnover(£m)†	-	1632.2	1559.0	1130.6	995.3	1319.2
Equity Bargains†	-	31,274	29,838	29,515	30,778	32,791
Shares traded (ml)†	-	618.5	560.4	471.3	444.2	669.7

† Excluding intra-market business and overseas turnover. ‡ Correction for 23/9: 2310.4.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

FT-A INDICES LEADERS AND LAGGARDS

Percentage changes since December 31 1992 based on Friday September 24 1993

Gold Mines Index	+	179.97	Transport	+	14.12
Property	+	58.92	Insurance Brokers	+	13.69
Merchant Banks	+	58.20	Water	+	13.66
Engineering-Aerospace	+	45.85	Packaging, Paper & Printing	+	12.80
Metals & Metal Forming	+	44.75	Insurance (Composite)	+	12.48
Contracting, Construction	+	41.96	Other Groups	+	11.43
Building Materials	+	31.45	Conglomerates	+	10.86
FT-SE SmallCap ex Inv Tst	+	29.27	Telephone Networks	+	10.76
FT-SE SmallCap	+	29.18	Textiles	+	9.71
Financial Group	+	28.47	FT-A All-Share	+	9.56
Electricity	+	28.10	Stores	+	9.54
Banks	+	27.48	FT-SE-A 350	+	8.53
Electronics	+	24.39	Business Services	+	8.42
Investment Trusts	+	22.53	Chemicals	+	8.03
Capital Goods	+	20.72	Hotels & Leisure	+	7.16
Electricals	+	20.40	"500" Share Index	+	6.12
FT-SE Mid 250 ex Inv Tst	+	19.92	FT-SE 100	+	5.58
FT-SE Mid 250	+	19.87	Other Industrials	+	5.30
Motors	+	18.09	Industrial Group	+	5.11
Engineering-General	+	17.76	Food Manufacturing	+	0.27
Media	+	16.18	Consumer Group	-	4.61
Insurance (Life)	+	15.82	Brewers and Distillers	-	13.15
Oil & Gas	+	15.06	Health & Household	-	16.60
			Food Retailing	-	18.66

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	118.6482	-0.402	6.87	6.75	6.95
BELGIUM		9.000	03/03	111.3500	-	7.30	7.16	7.11
CANADA *		7.500	12/03	103.7650	+0.220	6.97	6.96	6.88
DENMARK		8.000	05/03	108.9000	+0.250	6.75	6.69	6.77
FRANCE	BTAN	5.750	11/98	100.8196	+0.306	5.60	5.68	5.70
	OAT	6.750	10/03	104.7700	+0.070	6.10	6.11	6.22
GERMANY		6.500	07/03	102.4650	+0.010	6.16	6.09	6.27
ITALY		10.000	08/03	104.4050	+0.845	9.52†	9.58	[illegible]
JAPAN	No 119	4.800	06/99	106.6926	+0.146	3.40	3.56	3.79
	No 157	4.500	06/03	104.0499	+0.161	3.92	4.04	4.24
NETHERLANDS		7.000	02/03	106.5600	+0.110	6.00	5.98	6.15
SPAIN		10.900	06/03	110.4000	+0.160	9.23	9.21	9.14
UK GILTS		7.250	03/98	103-21	+8/32	6.30	6.44	6.55
		8.000	06/03	107-01	+8/32	6.99	6.99	6.99
		9.000	10/08	115-04	+3/32	7.32	7.33	7.36
US TREASURY *		5.750	08/03	102-19	-6/32	5.40	5.38	5.52
		6.250	08/23	102-28	-4/32	6.04	6.05	6.19
ECU (French Govt)		8.000	04/03	108.3300	-0.460	6.70	6.60	6.77

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3005.2 +3.9	3431.9 +1.6	1494.49 +1.51

	Sep 24	Day's change	Sep 23	Sep 22	Sep 21	year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj ytd	Total Return	1993 High		1993 Low		Since Compilation High		Since Compilation Low	
[illegible]																			
59 "500" SHARE INDEX(517)	1610.21	+0.1	1608.48	[illegible]	[illegible]	1372.76	3.82	6.23	19.61	39.66	1095.96	1661.43	31/8	1474.32	19/1	1661.43	31/8/93	63.49	13/12/74
61 FINANCIAL GROUP(96)	1129.35	—	1128.87	1128.16	1125.22	774.07	3.82	3.28	45.45	[illegible]	1335.62	1146.84	27/8	868.79	13/1	1146.84	27/8/93	55.88	13/12/74
62 Banks(9)	1528.01	—	1528.59	1524.32	1523.17	1058.33	3.52	4.05	34.02	44.68	1327.48	1557.89	11/8	1183.93	13/1	1557.89	11/8/93	62.44	12/12/74
65 Insurance (Life)(6)	2050.72	+0.1	2049.01	2028.00	2022.56	1581.84	4.47	4.68	26.87	71.36	1210.40	2133.04	19/7	1724.99	13/1	2133.04	19/7/93	44.88	2/1/75
66 Insurance (Composite)(7)	709.66	-0.2	710.89	712.22	708.50	547.96	4.74	‡	‡	20.75	1168.88	747.86	13/8	617.22	19/1	768.11	29/12/89	43.96	13/12/74
67 Insurance Brokers(10)	884.92	—	885.11	888.51	889.41	727.26	4.42	4.70	31.28	25.53	1180.98	958.50	10/8	781.21	28/4	1399.56	17/7/87	65.86	16/12/74
68 Merchant Banks(6)	797.78	+0.3	795.15	792.75	794.82	475.00	2.90	5.69	21.82	14.85	1626.33	828.40	1/9	505.48	11/1	828.40	1/9/93	31.21	7/1/75
69 Property(29)	1022.18	+0.1	1020.71	1026.04	1028.72	566.90	3.96	3.93	[illegible]	21.20	1639.57	1047.73	13/9	638.39	5/1	1398.87	5/9/89	56.01	20/4/65
70 Other Financial(23)	447.99	+0.9	443.93	438.11	438.09	244.57	3.47	4.86	27.54	8.87	1520.04	463.82	1/9	297.66	13/1	803.48	18/7/87	[illegible]	17/12/74
71 Investment Trusts(111)	1643.20	+0.2	1639.26	1631.35	1638.06	1169.66	2.51	2.01	49.66	27.35	1254.20	1706.89	18/8	1321.21	11/1	1706.89	18/8/93	71.12	13/12/74
99 FT-A ALL-SHARE(818)	1494.49	+0.1	1492.98	1494.78	1492.89	1228.23	3.78	5.64	22.00	37.19	1132.52	1537.57	27/8	1330.19	19/1	1537.57	27/8/93	61.92	13/12/74

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	High/day	Low/day
FT-SE 100	3004.8	3005.6	3006.6Φ	3005.5Φ	3003.6	3003.6	3003.0	3006.1	3005.8	3005.2	3006.9	3002.2
FT-SE Mid 250	3430.2	3429.5	3430.1Φ	3431.4Φ	3431.1	3431.6	3431.1	3431.6	3431.5	3431.9	3432.3	3428.9
FT-SE-A 350	1506.8	1507.0	1507.4Φ	1507.2Φ	1506.5	1506.5	1506.2	1507.4	1507.3	1507.1	1507.7	1505.9

FT-SE Actuaries 350 Industry Baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Prev close	change
Constrcn	2002.6	2002.2	2002.2Φ	2008.9Φ	2005.5	2005.6	2005.5	2007.1	2008.6	2010.0	2008.9	+1.1
Health&H	1085.5	1085.9	1087.4Φ	1085.4Φ	1085.5	1086.3	1087.4	1085.7	1083.9	1083.5	1075.3	+8.2
Water	1538.4	1538.7	1533.4Φ	1533.3Φ	1532.5	1532.5	1532.5	1535.4	1536.3	1537.8	1537.3	+0.5
Banks	1858.2	1858.7	1858.3Φ	1857.7Φ	1856.9	1857.2	1853.3	1856.6	1856.6	1857.3	1858.0	-0.7

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
FT-SE Total Return Indices	31/12/92	1000.00	Media	31/12/90	1226.88	Other Groups	31/12/74	63.75
FT-SE SmallCap	31/12/92	1363.79	Engineering - Aerospace	29/12/89	486.00	Industrial Group	31/12/70	128.20
FT-SE SmallCap ex Inv Trust	31/12/92	1363.79	Engineering - General	29/12/89	486.00	Other Financial	31/12/70	128.06
FT-SE Mid 250	31/12/85	1412.60	Water	29/12/89	1968.45	Food Manufacturing	29/12/67	114.13
FT-SE Mid 250 ex Inv Trust	31/12/85	1412.60	Conglomerates	31/12/88	1114.07	Food Retailing	29/12/67	114.13
FT-SE-A 350	31/12/85	682.94	Telephone Networks	30/11/84	517.92	Insurance Brokers	29/12/67	96.67
FT-SE 100	31/12/83	1000.00	Electronics	30/12/83	1646.65	All Other	10/4/62	100.00
Business Services	31/12/90	999.65	Other Industrial Materials	31/12/80	287.41	British Government	31/12/75	100.00
Electricity	31/12/90	999.65	Health/Household Products	30/12/77	261.77	Do. Index-linked	30/4/82	100.00
						Debs & Loans	31/12/77	100.00

† Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. Φ Indicative. The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index and the FT-SE SmallCap Index are compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1993. © The Financial Times Limited 1993. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. Auditor: The WM Company. CONSTITUENT CHANGES: For Quarterly changes see article on Sept 9 on page 30.

RISES AND FALLS YESTERDAY

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	67	3	9	169	169	73
Other Fixed Interest	2	0	13	13	15	47
Commercial, Industrial	369	264	867	1,324	1,437	4,339
Financial & Property	184	56	881	725	672	2,706
Oil & Gas	25	8	47	90	78	236
Plantations	0	0	8	3	2	35
Mines	66	7	63	212	157	307
Others	73	12	41	242	178	201
Totals	586	340	1,659	2,766	2,698	7,946

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

[illegible]

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	157.2	158.9	167.2	+0.80	0.00
AIB Grofund Equity	5	220.7	224.1	237.2	-0.10	1.13
AIB Grofund Euro	5	177.8	179.74	189.1	-1.60	0.35
AIB Grofund Eqt Balanced	3	108.7	108.6	112.1	+0.10	1.79
AIB Grofund Gilt	5	78.57	78.58	81.06	+0.26	4.82
AIB Grofund Japan	5	179.3	181.0	190.5	+2.60	0.00

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (☆) - 0001 to 1100 hours; (✦) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. [illegible]

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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Provident Mutual Life Assc. Assn. - Contd.

Prudential Assurance Co

Holborn Bars, London EC1N 2NH 071-405 9222

Prudential Corporate Pension Funds

85 King's Road, Reading RG1 3AH 0734 404002

Scottish Amicable - Contd.

Scottish Equitable Life Assce. Soc.

28 St Andrew Sq, Edinburgh 031-556 9101

Sun Alliance Group - Contd.

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

OFFSHORE INSURANCES

هكذا من الأصل

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JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

US MARKETS (2:45 pm)

CANADA (3 pm)

JAPAN

INDICES

NEW YORK

DOW JONES	Sep 23	Sep 22	Sep 21	Sep 20	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3539.75	3547.02	3537.24	3575.80	3652.09 (25/8)	3241.95 (20/1)	3652.09 (25/8/93)	41.22 (2/7/32)
Home Bonds	108.67	108.91	108.88	108.99	109.69 (13/9)	103.49 (11/1)	109.69 (13/9/93)	54.99 (1/10/81)
Transport	1625.57	1614.40	1598.00	1618.38	1683.08 (16/4)	1453.84 (4/1)	1683.08 (16/4/93)	12.32 (8/7/32)
Utilities	249.47	251.38	251.19	252.70	256.46 (31/8)	217.14 (8/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's High 3557.70 (3577.20) Low 3513.46 (3516.69) (Theoretical♠)
Day's High 3553.72 (3558.80) Low 3530.53 (3528.13) (Actual♠)

STANDARD AND POOR'S

	Sep 23	Sep 22	Sep 21	Sep 20	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	457.74	459.29	456.95	458.09	463.56 (31/8)	429.05 (8/1)	463.56 (31/8/93)	4.40 (1/6/32)
Industrials♥	516.71	513.42	509.94	511.38	524.99 (10/3)	496.46 (26/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	47.40	47.26	46.75	47.34	48.24 (10/9)	39.89 (8/1)	48.24 (10/9/93)	8.64 (1/10/74)
NYSE Composite	254.13	253.27	251.80	252.77	258.88 (31/8)	236.21 (8/1)	258.88 (31/8/93)	4.46 (25/4/42)
Amex Mkt. Value	452.71	450.88	447.00	451.05	461.57 (3/6)	395.84 (8/1)	461.57 (3/6/93)	29.31 (9/12/72)
NASDAQ Composite	752.28	745.84	733.88	740.21	752.28 (23/9)	645.87 (26/4)	752.28 (23/9/93)	54.87 (31/10/72)

	Sep 17	Sep 10	Sep 3	year ago (approx.)
Dow Industrial Div. Yield	2.81	2.81	2.80	3.10

	Sep 22	Sep 15	Sep 8	year ago (approx.)
S & P Industrial div. yield	2.51	2.47	2.49	2.63
S & P Indl. P/E ratio	27.52	27.84	27.57	27.77

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Travelers	4,069,700	37¾	+ 1⅛
Wal-Mart Stores	4,051,900	25	+ ¼
Eastman Kodak	3,714,000	57⅝	- 1¼
Glaxo	3,024,600	20¼	+ ⅝
Gen Motors	2,940,600	48⅛	+ ½
Storage Tech	2,873,800	25⅞	- 2⅞
Paramount	2,872,600	76⅝	- 1¼
Unifi Inc	2,753,600	21¾	+ ¼
CCP Ins	2,728,300	30	+ 2
Ford Motor	2,672,000	56⅞	+ 2¼

TRADING ACTIVITY

† Volume (Millions)	Sep 23	Sep 22	Sep 21
New York SE	269.798	280.273	298.772
Amex	23.231	17.609	23.534
NASDAQ	334.035	289.392	294.609
NYSE			
Issues Traded	2,624	2,616	2,630
Rises	1,129	1,319	593
Falls	877	656	1,465
Unchanged	618	641	571
New Highs	115	70	60
New Lows	21	22	40

CANADA

TORONTO	Sep 23	Sep 22	Sep 21	Sep 20	1993 HIGH	1993 LOW
Metals & Minerals	2842.45	2833.92	2824.52	2824.22	3140.94 (16/8)	2743.31 (21/1)
Composite	3970.8	3954.90	3937.30	3952.80	4143.70 (1/9)	3275.86 (21/1)
MONTREAL Portfolio	1873.51	1864.19	1857.45	1862.80	1983.55 (1/9)	1720.97 (21/1)

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

	Sep 24	Sep 23	Sep 22	Sep 21	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1946.5	1959.6	1918.3	1925.2	1977.10 (1/9)	1495.09 (13/1)
All Mining (1/1/80)	787.2	787.3	782.3	784.5	894.50 (2/8)	584.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	378.7	381.25	378.77	385.75	403.05 (31/8)	300.26 (14/1)
Traded Index (2/1/91)	943.27	958.20	948.79	976.80	1019.13 (6/9)	712.96 (15/1)
BELGIUM						
BEL20 (1/1/91)	1273.75	1278.91	1278.05	1289.99	1309.70 (12/8)	1125.45 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	328.06	328.32	328.35	329.66	346.58 (10/9)	281.90 (4/1)
FINLAND						
HEX General (28/12/90)	1373.7	1374.1	1343.4	1380.6	1492.90 (16/9)	849.10 (22/1)
FRANCE						
CAC General (31/12/81)	577.80	577.71	573.47	578.42	600.51 (31/8)	471.24 (13/1)
CAC 40 (31/12/87)	2052.90	2057.53	2078.96	2094.39	2218.49 (31/8)	1772.21 (22/1)
GERMANY						
FAZ Aktien (31/12/58)	727.88	735.49	741.24	741.24	748.41 (31/8)	598.92 (14/1)
Commerzbank (1/12/53)	2076.30	2099.7	2077.4	2114.2	2125.60 (31/8)	1694.30 (14/1)
DAX (30/12/87)	1895.86	1918.51	1893.00	1925.85	1944.89 (31/8)	1518.50 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	7525.05	7581.00	7478.80	7496.31	7807.13 (8/9)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1661.57	1657.71	1646.20	1693.39	1754.84 (19/8)	1191.19 (11/1)
ITALY						
Banca Com. Ital. (1972)	596.51	592.80	589.94	597.54	632.86 (30/8)	446.33 (8/1)
MIB General (4/1/93)	1291.0	1308.0	1300.0	1316.0	1390.00 (30/8)	992.00 (11/1)
JAPAN						
Nikkei (16/5/49)	20307.53	(c)	20174.62	20469.65	21148.11 (13/9)	16287.45 (26/1)
Tokyo SE (Topix) (4/1/68)	1631.38	(c)	1628.12	1649.80	1698.67 (3/9)	1250.06 (25/1)
2nd Section (4/1/68)	2236.54	(c)	2225.83	2250.37	2384.97 (7/6)	1651.72 (26/1)
MALAYSIA						
KLSE Composite (4/4/86)	837.87	830.33	819.33	818.63	851.43 (3/9)	614.28 (13/1)
NETHERLANDS						
CBS Tfl.Rtn.Gen.(End 1983)	373.6	374.2	370.9	372.3	385.20 (31/8)	295.70 (4/1)
CBS All Shr (End 1983)	242.4	242.8	240.5	241.6	252.30 (31/8)	196.60 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	905.73	908.92	911.76	914.06	979.17 (13/8)	659.93 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	1953.52	1938.20	1921.43	1939.71	1998.37 (17/8)	1270.88 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	510.58	510.85	507.49	514.50	519.95 (7/9)	394.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1598.0♥	1602.0	1647.0	1649.0	2099.00 (30/7)	775.00 (5/1)
JSE Industrial (28/9/78)	4364.0	4339.0	4363.0	4436.0	4719.00 (6/7)	4333.00 (19/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	702.20	703.49	697.56	694.65	777.25 (9/6)	605.93 (6/3)
SPAIN						
Madrid SE (30/12/85)	281.35	282.40	283.80	287.54	304.88 (30/8)	215.80 (4/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1278.2	1277.7	1263.4	1245.4	1329.10 (18/8)	879.10 (26/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	1061.5	1053.9	1046.7	1051.4	1077.80 (25/8)	804.80 (11/1)
SBC General (1/4/87)	838.4	835.6	830.3	835.0	854.70 (25/8)	678.78 (11/1)
TAIWAN**						
Weighted Price (30/6/66)	3881.72	3879.99	3868.74	3804.36	5013.28 (7/4)	3088.43 (8/1)
THAILAND						
Bangkok SET (30/4/75)	978.58	986.08	977.75	992.56	998.85 (9/9)	818.84 (1/6)
WORLD						
M.S. Capital Intl.(1/1/70) $	587.8*	587.2	586.6	591.1	605.20 (6/9)	488.60 (13/1)
Euro Top-100 (26/6/90)	1092.31	1090.61	1088.60	1092.21	1133.15 (30/8)	882.73 (13/1)

**Saturday September 18: Taiwan Weighted Price; 3853.40, Korea Comp Ex: 694.44.
♥ Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 25 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable

WORLD STOCK MARKETS

AMERICA

Dow unmoved by data, bond price gains

Wall Street

GOOD economic news and fresh gains in bond prices failed to lift US equity markets yesterday, and stocks traded close to opening values throughout the morning session, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was down 8.38 at 3,531.37. The more broadly based Standard & Poor's 500 was down 0.72 at 457.02, while the Amex composite was up 0.85 at 453.56, and the Nasdaq composite up 0.04 at 752.30. Trading volume on the NYSE was 151m shares by 1 pm.

The markets ended a volatile week – one dominated by political turmoil in Russia and the debate over healthcare reform at home – in subdued fashion. Prices firmed across the board at the opening, primarily in reaction to some rare positive economic news. The commerce department announced that durable goods orders rose by 2.0 per cent in August, a bigger increase than expected by Wall Street analysts who had forecast a rise in orders of about 1.5 per cent.

The durable goods figures, however, are notoriously unreliable, so any positive impact they had on equities was limited. By mid-morning, blue chip stocks had eased back into negative territory. Investors ignored fresh gains on overseas markets – Tokyo, Paris and London were all higher – and on the US bond market which, after a week of big losses, has now rallied for three straight days. In early afternoon trading, the benchmark 30-year government bond was up 1/16 at 102 3/16, yielding 6.058 per cent.

Among individual stocks, cyclical stocks remained under pressure because of concern about the economy. General Electric slipped $⅞ to $95¼, International Paper eased $⅝ to $58⅜. Minnesota Mining & Manufacturing gave up $1⅛ at $102⅛ and Aluminum Company of America slipped $⅛ to $67⅛. The exception was Caterpillar, which rallied $¾ to $77⅛.

Car stocks were mixed. General Motors climbed $⅛ to $46⅜, and Chrysler rose $⅛ to $47⅛ but Ford eased $⅛ to $56⅜, all in heavy trading.

Wachovia jumped $2⅜ to $36⅜ after the brokerage house, Alex Brown, raised its rating on the banking group to "buy" from "neutral", saying that growth from operations would be strong for the foreseeable future. Bank stocks in general were firmer, with Chase Manhattan up $¼ at $36⅜, JP Morgan $⅞ higher at $75⅛, Chemical up $¼ at $44⅜, and Citicorp $⅛ firmer at $36⅛.

Northern Border Pipeline made a strong debut. The 14.2m shares were offered at $24⅜, and by early afternoon had risen to $25⅜ in volume of 3.8m shares.

Canada

TORONTO gave up much of its early gains amid profit-taking and worries about the volatile political situation in Russia. By noon, the TSE-300 index was 0.41 higher at 3,971.27 in volume of 28.15m shares valued at C$309.53m. Advances led declines by 298 to 226, with 292 steady.

Active stocks issues included Lac Minerals, up C$⅛ at C$10⅜ in turnover of 2.73m shares, and International Forest Products class A shares, C$⅛ higher at C$17⅛ with 1.37m shares changing hands.

SOUTH AFRICA

INDUSTRIAL shares found late support to end firmer, while gold stocks were little changed in quiet trade.

The gold and overall indices both lost 4 to 1,598 and 3,730 respectively, while industrials were 25 higher at 4,384.

Tough budget to put muscle into Madrid

Tom Burns says that the government attack on public spending should be good for growth stocks

A restrictive 1994 budget approved in cabinet yesterday is likely to inject new muscle into the Spanish stock market. Investors have received a very clear signal that the government is going to tackle public spending seriously, and this implies an upgrade for quoted companies with good earnings prospects.

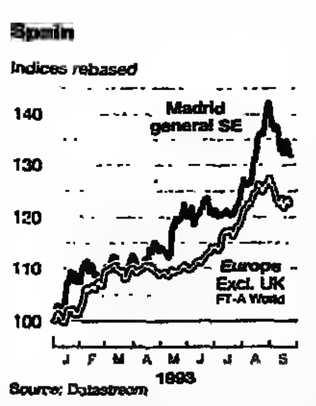
"In the mid-term the Bolsa has only one direction to move and that is up," says Mr Juan Bastos, managing director of the Madrid stockbrokers, Ibersecurities. Echoing a view shared widely among senior Madrid professionals, Mr Bastos believes that domestic interest rates will come down again, perhaps by another half point before the end of the year. At worst, rates will be a neutral factor for the foreseeable future.

It was expectations of falling rates, following the collapse of the European Monetary System's exchange rate mechanism, that pushed the Bolsa's general index above the 300 mark in August. Early this month the Bank of Spain delivered a bold half a point cut to bring its key intervention rate down to 10 per cent, the lowest since the early 1980s.

A feeling of fatigue, brought on by so much previous discount enthusiasm, stopped the rally subsequently but the brokers hope that they have found a good support base at 280. Barring worsening developments in Moscow and the export of Russian-bred bearishness to the global markets, it would seem that the the Bolsa has corrected itself.

Looking ahead, analysts see share price prospects as domestic institutions switch from lower yielding fixed income stocks into equities. At present, Spanish funds have some Pta8,000bn in their coffers, and a paltry Pta50bn invested in stocks. A switch of just 1 per cent of these funds, or Pta80bn, into equities would represent a week's trading on the Bolsa.

Yesterday, the index fell 1.05 to 281.35, taking its decline on the week to 1.3 per cent. The expectation is that it will remain within a 280-290 range over the short term and that, sooner rather than later, an "earnings rally" will take over from the previous "interest rate rally". The Madrid securities house Benito y Monjardin is forecasting an average increase in profits for major quoted companies of 11 per cent for 1994.



Source: Datastream

Such an outlook suggests what Benito y Monjardin calls a dichotomy in its strategy recommendations for Spain. Equity investment could be reduced short term because of the market's present exhaustion but sight should not be lost of the basic upward movement that lies ahead.

"Spain, at present, is worth a 10 per cent correction," says Mr Bastos of Ibersecurities. "Anything more than that, and you should sell."

The cabinet's approval of the 1994 budget will almost certainly firm up the bullish expectations. The market was waiting anxiously for the good news, that the government intends to be tough.

There are several business friendly features to the new budget, such as a set of fiscal incentives for investments, for the creation of new companies and for exports, but its single most important aspect is a planned 1994 wage freeze for public sector employees.

The wage freeze, which is coupled to an undertaking not to enlarge the number of public employees, sets the scene for a much more ambitious government target which involves a three-year agreement with the unions on strict salary moderation.

Salary rises negotiated in collective bargaining agreements in the first half of this year were in the order of 6 per cent, a level 1.5 per cent above the inter-annual inflation rate. In the new climate of a public sector wage freeze, the private sector will be expecting to contain salary increases to below 3 per cent next year.

Potentially, the outlook for companies in Spain could not be better. They have the cheapest borrowing costs in years and good reason to expect further rate cuts; they have the benefits of three devaluations in the past year which have allowed the peseta to stabilise finally after depreciating by more than 20 per cent against most main currencies; they have a clear prospect of sharply reduced labour costs next year and, possibly, through to 1996.

The missing link in such an outlook is of course a vital one – Spain's continuing recession. The latest serious data in this respect came with an August report by the Bank of Spain on the domestic economy in the second quarter of the year. The central bank verified that the deep recession had troughed although there was no sign of the beginning of a recovery.

In this context the early September rate cut by the Bank of Spain was very encouraging, undertaken independently of the Bundesbank (which kept its intervention unchanged) and well ahead of the cabinet's decision to stick to its austerity programme.

The cut indicated that the monetary authorities believed that the conditions were right to kick-start the economy. There is therefore every reason to believe that in the months ahead, as the budget passes through its parliamentary process and austerity begins to bite, further cuts will be in the offing.

EUROPE

Paris up 1.7% on interest rate hopes, Frankfurt falls

IN MOST cases, bourses approached the weekend with equanimity. Frankfurt's worries about what could happen in Russia may have reflected the precariousness of trading positions taken on Monday and Tuesday, *writes Our Markets Staff.*

PARIS rose in expectation of an imminent cut in interest rates after the authorities eased the overnight rate. On the first day of the new account the CAC-40 index added 35.07 or 1.7 per cent to 2,092.60, slightly lower on the week. Turnover was strong at FFr4.5bn.

Lafarge Coppée rose steadily in early trading to an intraday high of FFr411.90 on overnight news that a German group had emerged as bidder for CBR, the Belgian cement manufacturer. However, the shares later came off to close FFr1.70 higher at FFr407.70.

Crédit Lyonnais CI's rose FFr60, or 9.2 per cent, to FFr715 on better than expected first-half results and the forecast of an improvement in the second half. The bank also said that it would not be in a position to consider privatisation for at least two years.

St Gobain slipped FFr5 to FFr546 after reporting that VW, the German vehicle manufacturer, had asked for price cuts of up to 15 per cent for supplies of car windows.

FRANKFURT fell as traders squared positions ahead of the weekend, the DAX index falling 30.65, or 1.6 per cent on the day to 1,885.86, but closing a fraction higher on the week.

Turnover fell from DM6.4bn to DM5.2bn. Causes of uncertainty included a higher than expected inflation rate from the state of Baden-Württemberg, and the position of the Russian president, Mr Boris Yeltsin.

However, later in the day there were contra-indications on inflation from North Rhine-Westphalia which showed a year-on-year rise of 3.8 per cent, down from August's 4.0 per cent. After hours, the Ibis indicated DAX index improved a little to close at 1,890.42.

Cyclicals hit particularly hard yesterday included Daimler, Metallgesellschaft, and Preussag, down DM18.00 to DM732.00, DM11.00 to DM345.00 and DM13.50 to DM395.00.

Among the few winners, Heidelberger Zement celebrated its bid for CBR of Belgium, coming back from suspension DM55 higher at DM1,145; and Lufthansa lost just 40 pfg to DM152.50 on reports from Washington that the US and Germany had reached a tentative air traffic pact.

AMSTERDAM's CBS Tendency index finished off 0.3 at 123.8, little changed on the week. Akzo dipped Fl 1.20 to Fl 168.70 on local press reports that its textiles division might announce a loss when the group announces third-quarter results next month.

Merrill Lynch this week noted that Akzo's longer-term prospects remain good helped by aggressive cost-cutting and restructuring measures adopted by the management. The brokers concluded that the share price should respond well to economic recovery when it comes and forecast earnings of Fl 35 per share "near the peak of the recovery cycle".

ZURICH saw strong foreign demand for chemicals issues as the SMI index rose 20.1 to 2,445.9 for a 2.6 per cent gain on the week.

Roche certificates, continuing to benefit from analysts' buy recommendations, rose SFr155 or 3 per cent to SFr3,505. Sandoz followed the lead, rising SFr20 to SFr3,455.

MILAN was worried about forthcoming results and the Comit index shed 6.29 to 586.51 in quiet trading, a weekly fall of 1.6 per cent. Olivetti, expected to announce a big loss after the market closed, shed L16 to L1,930.

With half-yearly figures due in the coming week, Fiat fell L85 to L5,850 and Benetton L35 to L23,582. Bucking the trend, BCI put on L67 at L4,895.

Generali, the insurer, gave up an early gain to finish L180 lower at L39,420 in response to Thursday's announcement of a fall in first-half pre-tax profits but a 14 per cent increase in premium income. However, Mr Simon Rudolph of Morgan Stanley in London described the results as encouraging, noting that last year's pre-tax figures had been inflated by net realised capital gains.

ISTANBUL finally broke through the 15,000 barrier with the composite index rising 160.1 to 15,046.7, a 4 per cent gain on the week. Turnover was TL1,400bn after Thursday's record TL1,800bn.

FT-SE Actuaries Share Indices

September 24	THE EUROPEAN SERIES							
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1276.43	1275.13	1275.70	1275.98	1274.08	1274.09	1274.43	1274.95
FT-SE Eurotrack 200	1347.98	1348.44	1348.01	1346.76	1345.98	1343.72	1344.34	1346.88

	Sep 23	Sep 22	Sep 21	Sep 20	Sep 17
FT-SE Eurotrack 100	1273.84	1271.99	1279.55	1278.08	1265.02
FT-SE Eurotrack 200	1347.03	1346.05	1351.37	1351.78	1343.60

Base value 1000 (26/10/90) Highday: 100 - 1277.20; 200 - 1348.43 Lowday: 100 - 1271.89 200 - 1342.53

ASIA PACIFIC

Sydney, Hong Kong reflect Olympic vote

Tokyo

TOKYO rebounded as it returned to work after Thursday's holiday, but stocks finished off their highs in subdued conditions on the last trading day for September delivery, *Reuter reports from Tokyo.*

The 225-share Nikkei average ended 132.91 higher at 20,307.53, a 0.4 per cent fall on the week. The index started at its low of 20,225.62 and rose to an intraday high of 20,324.63 shortly before midday.

Volume was around 300m shares, down from 310.66m on Wednesday. Advances outnumbered declines by 571 to 464, with 152 issues unchanged.

The Topix index finished 3.24 higher at 1,631.36, while in London, the ISE/Nikkei index rose 0.34 to 1,254.77.

The market opened higher on index-linked buying by investment trusts and on weakening concerns about the political situation in Russia.

Index-linked arbitrage buying was triggered by firmness in Nikkei futures following an overnight rise in Chicago.

Pharmaceuticals ended higher on expectations that new products would be launched at forthcoming annual seminars on medicines. Kissei Pharmaceutical rose Y150 to Y6,080, Ono Pharmaceuticals Y140 to Y6,010, and Sankyo Y50 to Y2,940. Many pharmaceuticals manufacturers are also expecting good interim and full-year profits in spite of the economic slump.

Expectations of government deregulation and income-tax cuts pushed up the retailers. Seven-Eleven Japan was Y150 higher at Y8,650, Aoyama Trading advanced Y150 to Y8,200 and Aoki International ended Y120 higher at Y5,380.

Roundup

SYDNEY's success in being awarded the 2000 Olympic Games moved both Australian, and Hong Kong stocks.

AUSTRALIA's property development and construction stocks led the All Ordinaries index higher. It hit a high of 1,960.2 in early trade, but drifted off to end 17.9 up at 1,946.5, 1.1 per cent higher on the week, as turnover more than doubled from A$345.2m to A$794.2m.

The contractor, Leighton Holdings, ended 23 cents or 11 per cent higher at A$2.32 after a high of A$2.55 and Lend Lease, the big property group, surged 56 cents to A$17.26, off a high of A$17.55. The hotels group, AAPC, rose 3 cents to A$75, and Sydney Aquarium by 5 cents to A$1.70.

HONG KONG offered a mirror image, the Hang Seng index closing just 55.95 lower at 7,525.05, 1.4 per cent better on the week, after plunging over 150 points to a low of 7,422.65 early in the day. Turnover slipped from HK$3.44bn to HK$3.08bn.

Recently strong China-related stocks led the losers, with consumer related issues especially hard hit. Tsingtao Brewery dropped 35 cents to HK$5.75 while China Travel lost 20 cents to HK$2.20.

SINGAPORE fell back on selected selling of stocks by foreign institutions. The Straits Times Industrial Index closed down 11.78 at 1,983.25, a week's fall of 1.25 per cent.

CarnaudMetalbox Asia continued to decline after its weak interim results on Wednesday, shedding 60 cents to S$7.90, in spite of announcing a new can-making venture in China.

KUALA LUMPUR rose in brisk trading with the composite index adding 7.54 to 837.87, a week's gain of 2 per cent.

MANILA added to Thursday's rise helped by strong performances from Philippine Long Distance Telephone and San Miguel. The composite index gained 15.32 to 1,953.52, down 2 per cent on the week. PLDT climbed 10 pesos to 1,350 pesos and San Miguel 5 pesos to 155 pesos. Turnover was 533.6m pesos.

BOMBAY weakened on reports that carry forward costs may be raised. The BSE index fell 36.38 to 2,722.77, for a week's decline of 1.5 per cent.

NEW ZEALAND's initial rise faded later leaving the NZSE-40 capital index 4.66 higher at 1,932.17.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY SEPTEMBER 23 1993								WEDNESDAY SEPTEMBER 22 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (68)	142.06	+0.1	139.85	95.18	121.49	144.77	+0.6	3.57	141.86	138.32	95.45	120.10	143.98	148.84	117.39	128.09
Austria (17)	167.92	+0.1	165.31	112.52	143.62	143.34	+1.0	1.08	167.72	163.53	112.86	142.00	141.92	180.43	131.16	159.18
Belgium (42)	144.98	-0.8	142.63	97.07	123.90	124.87	-0.5	4.61	146.05	142.41	98.27	123.65	125.52	156.76	131.19	141.66
Canada (107)	122.15	+0.0	120.25	81.84	104.46	117.06	+0.3	2.80	122.10	119.05	82.15	103.37	116.66	130.38	111.41	121.87
Denmark (32)	226.01	+0.0	222.50	151.44	193.29	204.18	+0.1	1.11	226.10	220.46	152.14	191.42	203.95	232.42	185.11	198.93
Finland (23)	106.31	+1.9	104.65	71.23	90.92	130.85	+2.2	0.80	104.28	101.68	70.17	88.29	127.98	118.56	65.50	53.80
France (97)	162.88	-1.8	160.35	109.13	139.29	146.34	-0.8	3.15	165.81	161.67	111.56	140.37	147.47	171.89	142.72	159.02
Germany (60)	126.47	+0.1	124.51	84.75	108.16	108.16	+1.1	1.94	126.41	123.26	85.07	107.02	107.02	129.13	101.59	112.48
Hong Kong (55)	300.85	+1.4	296.17	201.58	257.31	298.70	+1.4	3.36	296.63	289.24	199.60	251.16	294.65	302.14	218.82	234.68
Ireland (14)	161.54	-0.9	159.03	108.24	138.15	160.24	+0.0	3.50	163.05	158.99	109.72	138.05	160.22	173.06	129.28	150.57
Italy (70)	72.47	-1.7	71.35	48.56	61.98	86.11	-0.9	1.88	73.76	71.92	49.63	62.45	86.86	78.93	53.78	50.88
Japan (470)	152.59	+0.4	150.22	102.24	130.52	102.24	+0.0	0.81	151.94	148.16	102.24	128.86	102.24	165.91	100.75	114.74
Malaysia (69)	399.88	+2.0	393.66	267.92	341.98	393.18	+2.2	1.76	392.03	382.25	263.78	331.90	384.71	410.47	251.68	243.72
Mexico (19)	1645.82	+1.9	1620.23	1102.77	1407.56	5604.39	+1.6	0.88	1615.11	1574.84	1086.79	1367.44	5518.36	1771.56	1410.30	1198.23
Netherland (24)	181.00	-0.1	178.18	121.28	154.80	152.54	+0.9	3.59	181.13	176.62	121.88	153.36	151.12	187.18	150.39	163.54
New Zealand (13)	60.01	+1.1	59.08	40.21	51.33	57.50	+1.2	3.88	59.33	57.85	39.93	50.23	56.82	62.98	40.56	42.32
Norway (22)	169.42	-1.1	166.78	113.52	144.89	164.59	-0.2	1.60	171.22	166.95	115.21	144.96	164.94	177.44	137.71	144.24
Singapore (38)	287.83	+0.9	283.36	192.86	246.16	211.36	+0.8	1.63	285.32	278.21	191.99	241.56	209.59	290.53	207.04	184.12
South Africa (60)	185.64	+0.7	182.75	124.38	158.78	185.10	-1.0	2.83	184.39	179.79	124.07	156.11	187.00	215.29	144.72	175.53
Spain (43)	134.59	-1.2	132.50	90.19	115.11	133.78	-0.4	4.26	136.20	132.80	91.65	115.31	134.34	140.97	115.23	115.94
Sweden (36)	188.04	+2.4	185.12	126.00	160.82	224.30	+1.6	1.50	183.64	179.06	123.57	155.48	220.82	196.23	149.70	160.96
Switzerland (50)	136.89	-0.6	134.76	91.73	117.09	121.74	+0.5	1.78	137.70	134.27	92.68	116.60	121.09	139.40	108.91	117.55
United Kingdom (218)	184.17	-1.1	181.31	123.39	157.49	181.31	-0.2	3.94	186.27	181.63	125.33	157.69	181.63	191.70	162.00	177.35
USA (520)	187.19	+0.3	184.28	125.43	160.10	187.19	+0.3	2.74	186.55	181.90	125.53	157.95	186.55	189.40	175.38	170.63
Europe (748)	154.32	-0.8	151.92	103.40	131.99	145.16	+0.1	3.11	155.57	151.89	104.88	131.72	145.04	159.39	133.92	141.71
Nordic (113)	176.98	+1.5	174.22	118.58	151.36	183.75	+1.2	1.34	174.28	169.93	117.27	147.55	181.57	183.23	142.13	148.25
Pacific Basin (714)	157.26	+0.5	154.82	105.37	134.50	109.81	+0.1	1.08	156.47	152.57	105.29	132.48	109.65	168.80	105.89	118.65
Euro-Pacific (1462)	155.94	+0.0	153.52	104.48	133.36	124.20	+0.1	1.91	155.99	152.10	104.96	132.07	124.05	162.86	117.26	127.98
North America (627)	183.16	+0.3	180.31	122.74	156.67	182.44	+0.3	2.76	182.55	178.00	122.85	154.58	181.81	185.59	171.51	167.59
Europe Ex. UK (530)	135.31	-0.6	133.20	90.68	115.74	124.15	+0.3	2.56	136.10	132.71	91.60	115.26	123.84	139.50	112.51	120.27
Pacific Ex. Japan (244)	203.29	+1.1	200.13	136.24	173.88	189.51	+1.2	3.02	201.15	196.14	135.37	170.33	187.26	205.61	152.70	156.92
World Ex. US (1648)	156.01	+0.0	153.59	104.54	133.43	126.05	+0.1	1.93	156.01	152.12	104.99	132.09	125.89	162.89	118.51	128.87
World Ex. UK (1950)	163.50	+0.3	161.08	109.63	139.93	141.35	+0.3	2.06	163.17	159.10	109.80	138.16	140.99	168.50	134.22	138.62
World Ex. So. Af. (2108)	165.41	+0.1	162.84	110.84	141.47	144.58	+0.2	2.23	165.20	161.08	111.17	139.68	144.27	170.43	137.29	141.85
World Ex. Japan (1698)	174.17	+0.0	171.46	116.71	148.98	169.23	+0.3	2.87	174.17	169.83	117.21	147.48	168.72	177.11	157.47	157.77
The World Index (2168)	165.42	+0.1	162.85	110.84	141.48	144.97	+0.2	2.24	165.21	161.09	111.17	139.88	144.66	170.42	137.32	141.98

Japanese market closed September 23. Latest prices were unavailable for this edition.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

BRITISH FUNDS - Cont.

Undated

BRITISH FUNDS - Cont.

Index-Linked

OTHER FIXED INTEREST

Stock	Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

LONDON SHARE SERVICE

AMERICANS

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICALS - Cont.

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

WATER

	Notes	Price	+ or –	1993 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglian		543	—	[illegible]	455	1,607	4.9	11.0
Bristol Water		[illegible]	—	[illegible]	775	[illegible]	4.1	11.6
Chelsea A		[illegible]	—	402	195	18.8	3.8	14.0
B N/V		[illegible]	—	375	[illegible]	[illegible]	3.7	13.1
East Surrey		373	—	373	270	47.1	3.8	9.3
Mid Kent		340	—	340	244	[illegible]	3.9	12.8
North West		592	+1	637½	431½	1,864	5.0	9.6
Northumbrian		842	–1	881	547	433.4	[illegible]	8.6
Severn Trent		[illegible]	—	594	433	1,974	[illegible]	8.9
Southern		[illegible]	–1	[illegible]	454	848.0	4.7	9.6
South Staffs		1,585	—	1605	1225	87.8	3.8	11.1
South West		594	+4	[illegible]	465	731.8	5.1	[illegible]
Thames		551	–1	563	454	2,150	4.8	10.8
Welsh		662	–1	639	506	987.5	4.7	8.3
Wessex		645	+1	661	535	798.7	4.2	9.7
York W'works		308	—	315	210	19.8	3.7	13.8
Yorkshire		[illegible]	+1	[illegible]	473½	1,311	[illegible]	9.5

SOUTH AFRICANS

	Notes	Price	+ or –	1993 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£11	—	£12¼	£7½	658.2	6.1	8.4
Barlow Rand		535½	+⅛	1,105½	25½	1,104	5.8	3.3
Gold Flds Prop		75	+2	107	40	7.07	12.6	6.7
MK Props		70	—	97	60	2.01	17.8	3.1
OK Bazaars		91	+4	116	70	91.2	2.1	–
SASOL		302	+14	300	215	1,462	5.6	♦
SA Brews		855	+11	875	753	4,825	3.0	15.0
Tiger Oats		980	—	780	513	628.2	2.7	12.3
Tongaat-Hulett		300	+4	305	212	222.0	4.4	9.0

PLANTATIONS

	Notes	Price	+ or –	1993 high	low	Mkt Cap£m	Yld Gr's
Williamson		600	—	610	325	30.8	4.7

MINES

	Notes	Price	+ or –	1993 high	low	Mkt Cap£m	Yld Gr's
Central Rand							
Durban Deep		433	+18	760	120	10.1	–
East Rand Prp		[illegible]	+17	870	[illegible]	34.8	–
Randfont'n Est		401	+1	671	150	300.2	5.8
West Rand		53	—	65	[illegible]	2.25	–
Eastern Rand							
AFMR		1	—	1	0½	0.24	10.0
Bracken		39	+1	46	18	5.48	–
Eastern Trans		43	—	65	15	[illegible]	5.4
ERGO		[illegible]	—	281	47	[illegible]	9.3
Grootvlei		117	+8	187	[illegible]	13.4	8.4
Kinross		[illegible]	+36	1089	332	144.0	6.0
Leslie		80	+5	[illegible]	25	14.2	4.5
Randex		70	—	20	4	0.01	–
Winkelhaak		[illegible]	+2	1029	323	[illegible]	1.2
Far West Rand							
Blyvoor		106¼	+4½	133	33	[illegible]	5.7
Buffels		575	+19	871	233	53.3	10.8
Deelkraal		106	+3	185	37½	105.5	1.8
Doornfontein		47	+4	96	7	18.8	–
Driefontein		[illegible]	+18	913	388	1,419	4.1
Elandsrand		369	+1	694	117	339.4	3.3
Hartebeest		287	+21	485	87	[illegible]	6.5
Kloof		830	+18	873	319	677.3	3.3
Southvaal		1,350	+22	2148	84¼	[illegible]	4.0
Stilfontein		73¼	+3	[illegible]	18	9.67	8.3
Vaal Reefs		1,065¼	+⅛	280½	[illegible]	5,389	4.8
Western Areas		265	+4	351	26	107.2	2.5
Western Deep		218	+⅛	125½	15¾	498.8	3.3
Zandpan		40	—	68	[illegible]	82.6	6.1

	Notes	Price	+ or –	1993 high	low	Mkt Cap£m	Yld Gr's
Europa Minls		38	—	42	15	10.8	–
Glencar Expl		12	—	12	6	2.22	–
Greenwich Res		14¼	—	22¼	5	11.8	–
Hemlo Gold C$		[illegible]	—	[illegible]	[illegible]	[illegible]	1.6
Imrnia West		42	—	57	31	21.1	–
Kalla Minls		11	+1	14	6	0.27	–
Kenmare		8½	—	13½	6	8.61	–
Malaga Res		8	—	25½	7½	0.80	–
Mawan Res		83	+1	102	35	16.8	–
5pc Ln Notes		[illegible]	—	[illegible]	35	16.6	–
Oryx Gold		73½	—	76½	47	–	–
Ovoca Res		8	—	8	3½	0.50	–
RTZ		[illegible]	+3	745	607	7,285	3.8

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

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FINANCIAL TIMES
Weekend September 25/September 26 1993

GMB stance on voting reforms seen as crucial

Union faces pressure to support Labour leader

By Philip Stephens and David Goodhart

PRESSURE was mounting last night on the GMB general union to abandon its opposition to plans by the Labour leader, Mr John Smith, to reform his party's links with the trade unions.

Mr Smith indicated yesterday he was confident of victory at next week's Brighton conference, but senior officials said he still faced the threat of defeat unless one or more of the leading unions reversed their opposition.

With the conference emerging as a crucial power struggle between the party's so-called modernisers and traditionalists, the dispute over the union link also threatens to spill over into a row about economic policy.

Party officials said yesterday that two-thirds of the constituency parties had backed Mr Smith's proposed one-member, one-vote system for the selection of parliamentary candidates.

That means Mr Smith might just scrape home if unions such as the Nupe public service union, UCW postal workers and Usdaw shopworkers all wriggle out of conference commitments to reject the reform, and back him.

But for Mr Smith to avoid a humiliating defeat he probably requires a large union like the GMB to support him or abstain. "There is a lot of unease among senior union officials about what

Smith prepares to face a powerful acronym ......Page 8

John Edmonds [the union's leader] is doing on one-member, one-vote," said one GMB official. Mr Edmonds says the difference between his union and the party leadership is now "no more than a constitutional tiff" but he is not prepared to offer anything more than discussions about a last-minute compromise.

Mr Bill Morris, general secretary of the TGWU, also said there would no "horse-trading, no smoke-filled rooms, and no nudge nudge" on one-member, one-vote. But the TGWU may indirectly aid the Smith camp by not backing any motion against one-member, one-vote except its own, in which case all such motions may fall, making it easier for Mr Smith to impose a solution.

On economic policy, the decision by Mr Gordon Brown, the shadow chancellor, to abandon the spending and tax policies on which Labour fought the 1992 general election faces attack in Brighton from union leaders and leading left-wing MPs.

But Mr Brown, who yesterday rejected any attempt to commit a future Labour chancellor to higher spending and borrowing, intends to pre-empt his critics with a detailed rebuttal of charges that he has abandoned the party's principles.

Party officials said all the main unions had given their backing to his revamped economic strategy earlier this summer.

Mr Smith's aides said the initial returns from the constituency parties on the one-member, one-vote plan showed that he could count on the support of around two-thirds of their votes after Wednesday's debate. The constituencies, however, hold only 30 per cent of the overall votes at conference, with the remainder held by unions.

The Labour leader appears determined not to allow the issue to provoke a public slanging match with the leading union leaders.

GrandMet names Bull as chief executive

By Philip Rawstorne

GRAND Metropolitan yesterday appointed Mr George Bull, driving force behind the growth of its IDV drinks operation, as chief executive, instead of the long-time heir-apparent, Mr Ian Martin, who led the $5.8bn acquisition of the US Pillsbury group.

The surprise reshuffle of top management followed the decision of Sir Allen Sheppard to split the combined post of chairman and chief executive, which he has held since 1987.

GrandMet's shares fell 15p to close at 393p – a reflection not of market dissatisfaction with the changes but of some fears that there may be bad news to come.

Mr Martin, 58, who spent five years in the US restructuring the Pillsbury group after the takeover, returned to the UK in January last year as group managing director and chief operating officer.

He will give up his executive duties to become a non-executive deputy chairman, with special responsibility for North American affairs. He will continue to receive his current salary.

Mr Martin said yesterday: "The other guy won the race – and I have the greatest respect and admiration for him.

"I think the great thing now is to look forward. I am delighted to continue to be associated with the group, and I should have time to reduce my golf handicap," he said.

Sir Allen, whose decision to end his dual role was welcomed by institutional shareholders, said the GrandMet board had been faced with a choice between "two world-class executives".

The votes went unanimously to Mr Bull because of his marketing background, wider experience of international markets, and business development record.

Mr Bull said: "I see it as my role to lead GrandMet closer to its markets."

Mr David Nash, finance director, will take over in December as head of the food and international retailing operations.

London stocks, Page 17
From drinks to the driving seat, Page 13
See Lex

THE LEX COLUMN

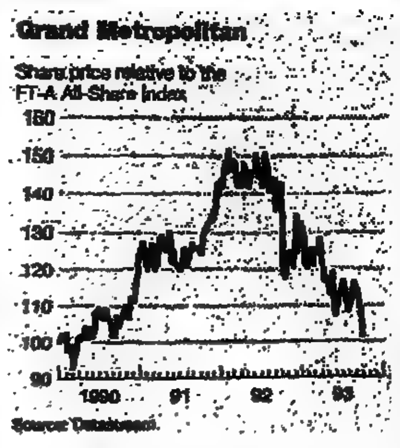
Russian roulette

It is a measure of the UK equity market's resilience that the threat of civil strife in Russia – a good excuse for taking profits if ever there was one – failed to drive share prices lower. The FT-SE 100 index finished the week more or less where it started, a shade above 3,000. Still, the aggregate performance hides a multitude of sins. Food retailers took another battering, with disappointing figures from Tesco and William Morrison the proximate cause. The sector has fallen 14 per cent this month, threatening to take the mantle of least popular sector from pharmaceuticals.

Whether the market can find inspiration for another march upwards is doubtful. The interim results season has been at best mixed, and certainly not good enough to validate the high expectations on earnings built into many share prices. Strength in gilts would again set a positive mood, but with a £3.25bn auction scheduled for Wednesday there seems little immediate hope of a lead from that direction. The best that can be said is that gilts are showing few signs of nerves in the run-up to the auction, on the expectation that foreign buyers will step in.

The dependence of gilts and equities on overseas investors is perhaps the best reason for caution. The £13bn which flowed into UK stocks and bonds in the second quarter is unsustainably high. The level of sterling, the relative value of gilts against continental European markets and – ahead of the Conservative party conference – the political climate will determine exactly when the tap is turned off.

FT-SE Index: 3005.2 (+3.9)



Source: Datastream

Grand Metropolitan

Grand Metropolitan will doubtless receive many plaudits for its decision to separate the roles of chairman and chief executive. It is gratifying, too, to see a senior executive withdraw gracefully to the sidelines without any immediate sign of an enormous Glaxo-style pay-off. To stop here, though, may be to miss the point. The separation of roles is less significant than it looks. It does not involve new blood, and the ebullient Sir Allen Sheppard will still sit on the executive committee while becoming non-executive chairman.

A deeper question is raised by the choice of Mr George Bull as chief executive when Mr Ian Martin had so obviously been groomed for the role. Yesterday's 4 per cent fall in GrandMet's share price reflected the suspicion that some untoward development underlay his failure to get the job. That looks unlikely; if GrandMet was sitting on any serious bad news, it would surely have revealed it with the management change.

The more plausible explanation lies in the nature of the challenges facing GrandMet. It must reduce gearing by shedding peripheral businesses such as the Chef & Brewer pubs. For the longer term it must develop its brands, particularly in food where Green Giant was proving a mammoth headache until the recent US floods pushed up prices. That is where Mr Bull's talents lie. Mr Martin is better at structural change, such as the acquisition of Pillsbury. The implication of yesterday's announcement is that GrandMet now wants to concentrate on organic growth, but first it has to jump the hurdle of selling unwanted businesses.

Willis Corroon

Willis Corroon is not the first insurance broker to admit that its talents do not extend to underwriting. The plan to offer a majority stake in Gryphon, its US property and casualty business, should allow Willis to cut debt and concentrate on what it does best. It must be taken as a mark of the company's faith in the recovery potential of broking that it is prepared to shed a profitable subsidiary at this stage of the cycle.

Floating the business on Wall Street is expected to net more than a trade sale. US investors are especially eager to back insurance ventures with an international flavour. At least two of the reinsurance companies established in Bermuda this summer plan to raise additional capital by making public offerings of shares. Sphere Drake, the leading London market insurer owned by a consortium, recently returned to the public domain via the same route.

Yet the Sphere Drake example underlines how difficult it can be for past owners to escape the shadow of insurance policies already written. Alexander & Alexander, the big US broker, sold Sphere to its present owners in 1987. Indemnities given to the buyers as part of the deal were still eating into profits last year. All credit to Willis if it can both raise cash and make the clean break which it promises. Insurance brokers with less profitable or less well-reserved underwriting operations will not be so fortunate.

Thorn EMI

Since most institutional investors will never have had anything repossessed in their lives, the notion of Hell's Angels beating down front doors to grab family televisions doubtless occasions some alarm. That is the lurid vision raised by reports that Thorn EMI's US subsidiary, Rent-A-Center, has been using strong-arm tactics to reclaim goods and charging excessive interest rates. Yet it is the knock to Thorn's strategy that will keep fund managers awake at night. The company has made much of its determined focus on rental and music in recent times. Recently, however, the warning that the defence business would make no profits postponed the day when shareholders reap the rewards of patience. Now one of its core businesses has taken a knock.

Always supposing that the aggressive reclamation tactics are not widespread, the fuss will probably die down reasonably quickly. It is particularly unfortunate for Thorn, however, that the row should surface when margins in the US rent-to-buy business are under scrutiny by Congress. As most individual states have decided that rent-to-buy arrangements are not credit agreements, and thus not subject to interest rate limits, it might be surprising if Washington took action.

Even if curbs are enacted, there are plenty of ways Thorn could respond without damaging earnings badly. Rather it is the delay, continued uncertainty, and worry that the strategy is not entirely under control that will hold back the shares. This is all the more so since the short-term earnings outlook is little more than dull.

Break-up of British Gas no longer vital, regulator says

By David Lascelles, Resources Editor

SIR James McKinnon, the director general of Ofgas who is shortly to retire, said yesterday the break-up of British Gas was no longer necessary, provided new competitors were allowed to supply gas to homes.

He was speaking as the government announced that he would be succeeded in November by Ms Clare Spottiswoode, a 40-year-old businesswoman.

Sir James's forceful demands for the break-up of British Gas are thought to have influenced the Monopolies and Mergers Commission's recent decision to recommend the split of the company into two by 1997, followed by the abolition of the monopoly. But he said yesterday that it would be sufficient for British Gas's transport and trading divisions to be separated by internal walls, so long as competitors had fair access to the company's pipeline system.

The main priority was to abolish its monopoly in the tariff market and design ways for new suppliers to compete within two or three years.

Sir James said he had not changed his position. However, his comments are likely to find an echo in the Department of Trade and Industry which must decide whether to accept the MMC's recommendations. Department officials have said they are more intent on abolishing the monopoly than on breaking up British Gas.

A decision is likely by December, by which time Ms Spottiswoode will have become the gas industry regulator.

A former Treasury economist, she also has experience of running her own business. She is a director of several companies, and has been a tutor at the London Business School's Centre for Enterprise. Colleagues describe her as intelligent and charming but also tough.

However, with the monopoly inquiry now complete, she will not have to adopt the stormy tactics used by Sir James to combat British Gas. Mr Cedric Brown, British Gas's chief executive, said: "We welcome the appointment of Clare Spottiswoode and the opportunity to form a constructive working relationship."

Businesswoman to watchdog, Page 8

Yeltsin calls in troops

Continued from Page 1

parliament and threatened continuing opposition.

Mr Aman Tuleyev, leader of the Kuzbass council, claimed that 24 of the 66 councils had defied Mr Yeltsin and would halt oil and gas exports and refuse to pay taxes.

Echoing Gen Rutskoi and other parliamentary leaders, Mr Tuleyev called for simultaneous elections of parliament and president on December 11 and 12 – the date set by Mr Yeltsin for elections for the lower house of a new parliament.

Mr Yeltsin has insisted on parliamentary elections first, followed by presidential elections next June to avoid a vacuum of power, and also to control the parliamentary process in its early stages. Presidential aides said last night that regions that defied the president's decree to hold elections would be forced to have local elections and would have presidential rule imposed.

Brittan urges rate cuts

Continued from Page 1

which led to the introduction of 15 per cent fluctuation bands in the ERM.

He called for a new road to Emu, based on member states adopting tough price stability and monetary growth targets in common. If applying these targets led to some countries being able to cut their interest rates, even at the expense of a fall in the value of their currencies inside the ERM, this should not be deemed a competitive devaluation, he argued.

Instead, he suggested that the Maastricht treaty's provisions for EC finance ministers to set down "broad guidelines" for the conduct of economic and monetary policies could underpin such a move. "Such an approach will give member states a framework within which they can better respond to their own economic needs. But it will be a step towards, not away from, the goal of a single currency."

FT WORLD WEATHER

Europe today

A frontal system associated with a low pressure area over the Czech Republic which has been responsible for widespread flooding in southern France, will move over central Europe. As a result, there will be heavy rain over Denmark, Germany and the Alps.

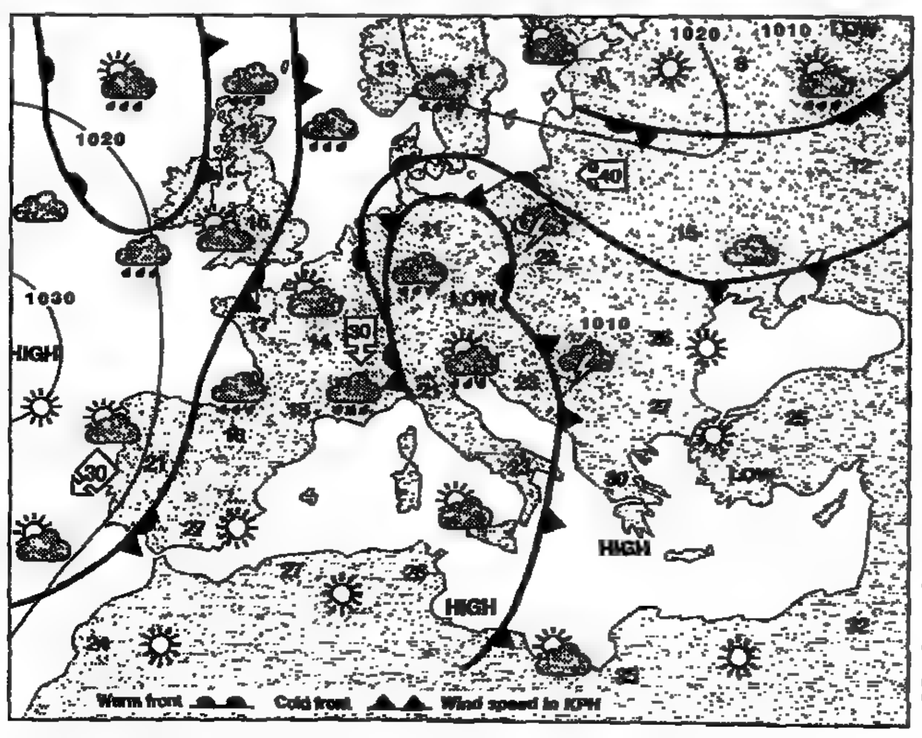
France and the Benelux countries will be rather cloudy with lingering rain in eastern regions.

The United Kingdom will be mainly cloudy with some outbreaks of rain or showers. However, in south-east England there will be sunny spells after morning fog. Thundery showers will develop over the western Balkans.

The eastern Balkans, Greece, Turkey and eastern Spain will be sunny and dry with readings of 25C-30C.

Five-day forecast

Low pressure over Denmark will result in widespread rain over southern Scandinavia tomorrow. High pressure over northern Scandinavia will ensure fair but cold conditions. Warm and sunny conditions over south-eastern Europe will be pushed further to the east. A ridge of high pressure over the Atlantic will bring temporarily drier weather over western Europe, but new depressions between Greenland and Iceland will move towards the region next week.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	38
Accra	thund	30
Algiers	fair	27
Amsterdam	cloudy	15
Athens	sun	29
B. Aires	fair	18
B.ham	cloudy	14
Bangkok	cloudy	32
Barcelona	fair	21
Beijing	fair	26
Belfast	shower	13
Belgrade	cloudy	29
Berlin	thund	18
Bermuda	fair	31
Bogota	shower	18
Bombay	shower	30
Brussels	rain	14
Budapest	thund	24
C.hagen	rain	15
Cairo	sun	32
Cape Town	cloudy	19
Caracas	fair	27
Cardiff	cloudy	14
Chicago	cloudy	17
Cologne	rain	11
D' Salaam	fair	29
Dakar	shower	29
Dallas	thund	32
Delhi	fair	34
Dubai	sun	37
Dublin	cloudy	14
Dubrovnik	shower	24
Edinburgh	rain	14
Faro	fair	25
Frankfurt	rain	13
Geneva	rain	13
Gibraltar	fair	25
Glasgow	cloudy	14
Hamburg	rain	13
Helsinki	fair	10
Hong Kong	cloudy	29
Honolulu	fair	31
Istanbul	sun	25
Jersey	cloudy	16
Karachi	fair	38
Kuwait	sun	38
L. Angeles	sun	31
Las Palmas	fair	27
Lima	cloudy	19
Lisbon	fair	22
London	fair	16
Lux.bourg	rain	11
Lyon	rain	14
Madeira	fair	23
Madrid	fair	21
Majorca	fair	24
Malta	fair	28
Manchester	rain	14
Manila	shower	32
Melbourne	fair	15
Mexico City	shower	18
Miami	thund	32
Milan	shower	20
Montreal	cloudy	20
Moscow	cloudy	8
Munich	rain	15
Nairobi	fair	28
Naples	fair	24
Nassau	fair	32
New York	thund	24
Nice	cloudy	21
Nicosia	sun	27
Oslo	rain	13
Paris	rain	17
Perth	fair	19
Prague	thund	19
Rangoon	cloudy	30
Reykjavik	fair	9
Rio	cloudy	24
Riyadh	sun	39
Rome	fair	24
S. Frsco	sun	31
Seoul	fair	23
Singapore	cloudy	31
Stockholm	fair	11
Strasbourg	rain	14
Sydney	fair	19
Tangier	fair	23
Tel Aviv	sun	30
Tokyo	cloudy	19
Toronto	cloudy	21
Tunis	fair	28
Vancouver	sun	18
Venice	thund	22
Vienna	thund	23
Warsaw	thund	21
Washington	fair	27
Wellington	shower	10
Winnipeg	cloudy	19
Zurich	rain	14

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Residential Property

SECTION III

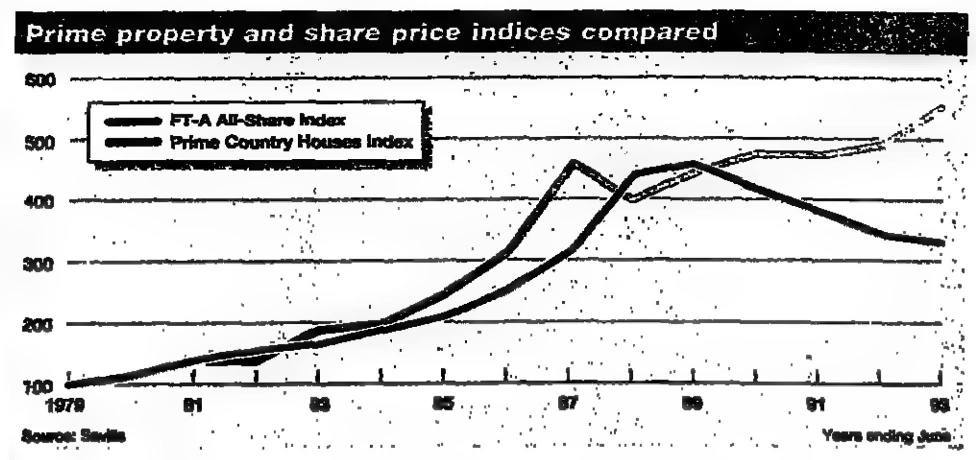
A SPECIAL SUPPLEMENT

Why estate agents long for meaty bones

When confidence blossoms the housing market will burst into life, predicts ***Gerald Cadogan****, but big price rises are unlikely*

The asking price for Aldingbourne House in Chichester, West Sussex, sold by Humberts, was £960,000. The market is still short of top-class homes

Prime property and share price indices compared



MOTHER HUBBARD'S bare, boneless cupboard offered no joy for her or her dog. Estate agents sympathise. They long for more meaty bones to throw to the many would-be buyers on their lists, who have to continue living in rented houses or flats, sustained by the hope that eventually vendors will find the same confidence to sell as they show by trying to buy.

When that confidence blossoms, a true trading market will burst into life. But it is far from certain that it will bring large price increases from today's "realistic" post-1980s levels.

It is an odd situation. Encouraging signs abound. The UK appears to be the first country in the EC to be coming out of recession and, since last autumn, foreigners have shown their confidence – and taken advantage of the devaluation of the pound – by buying in London. For British owners and buyers, lower interest rates lighten the mortgage burden and houses are more affordable than for many years. But reluctant vendors are frustrating these strong stimuli.

Even the stock market's sharp rise has little effect, however much it frees investors from shares that plummeted on an unexpected profits warning the day after they were bought, and releases cash for bearish sellers who think the rise will not hold.

Have shares affected houses? Not yet. From June 1989 to June 1993 agents Savills' index of prime country houses (castles to cottages) has markedly underperformed the FT-Actuaries All Share index, although in the period 1979-1989 the two kept pace with growth of 16.2 per cent compound (houses) and 16.1 per cent (shares). For the whole period 1979-1993 the figures work out at 9 per cent compound (houses) and 13.2 per cent (shares), or more now with the the stock market rising sharply.

Since the general election in April 1992 it has been a fractious market across the UK, trying to settle but changing tack from month to month. John Major's return produced an optimism which lasted only a few weeks. Vendors in April and May last year were lucky. Then came the season of green shoots, nipped whenever they budded. Prices continued down – as did buying once stamp duty relief for houses up to £250,000 had stopped. There was a slight upturn in September, until Black Wednesday. That was the nadir.

As autumn became winter, real changes began. Foreign buyers came to London, and in the shires British farmers realised that, overnight, devaluation had turned farming to profit. Collecting more "green pounds" from EC support payments originally expressed in Ecus, they started buying any fields offered for sale, at rock-bottom prices.

At the beginning of this year, good news reached the country, often hard of hearing, that there *were* London buyers and that interest rates had come down. Agents reported better winter business than for many years, and looked forward to an upswing. It did not happen. Completed sales measured by the Corporate Estate Agents Property Index peaked in March. Since it has been a dance of 1½ steps forward, pirouette, and one step back, to judge from the up and down news and views of the construction industry and the sometimes agreeing, sometimes conflicting Halifax and Nationwide property indices.

Mild optimism prevails, which would be much stronger if more good houses were available for sale. A few houses in the country have sold for more than their asking prices when buyers were competing, as happened notably with Tennyson's Aldworth House, in Surrey, offered at more than £600,000 and sold by "best and final" offers at more than £1m. Seven bidders were in the ring. It helped that it is in Surrey which was one of the first counties to suffer in the property downturn and is now recovering ahead of the rest of the country.

The reverse is that there are still houses which are having their asking prices cut, because they were too high in the first place, and houses where agents propose a realistic 1990s price which the vendor rejects as it does not meet his 1980s-conditioned expectations. It makes it hard to sell the house, but the vendor may strike lucky. If so, he will be convinced he was right all along. An alternative that should be used more often is to have an auction with energetic marketing beforehand, thus ensuring that there are several bidders in the room.

Prime country house prices showed a slight rise in the first six months of 1993, Yolande Barnes, head of Savills' residential research, says. An average increase of 2.2 per cent reversed a downward trend that had lasted 3¼ years. Values that were at mid-1987 levels at the beginning of 1993 are now back to autumn-1987 levels. But it would take two years of boom growth before they reach mid-1988 prices, when Savills' index had jumped 36.2 per cent from June 1987, or the peak of mid-1989 when it was up a further 2.6 per cent.

Barnes expects the recovery to continue hesitant, even in the south east, and be patchy in the north and Scotland, where prices fell less and so have less to recover. In Devon, Tim Burrage, of agent Stags, reports that "many properties are selling for a good 10 per cent more than they would have made at the end of last year." Barnes says that, if political and economic conditions are right, prices should strengthen appreciably in 1994, as Tony Snarey and Bill McClintock must expect in buying the Cornerstone chain of estate agents from Abbey National. Earlier in the summer Snarey, went into association with Humberts in Lincolnshire and adjoining counties.

In the meantime the market is soggy, as Mary Still, of relocation agent Stacks, put it. Vendors must jump in if prices are to find firm ground. Why do they hold back? Waiting until the market goes up is a large part of the story. Once bitten by negative equity, if they bought their house three to six years ago, they are now twice shy about committing themselves again.

If you must move, but have negative equity, be brave. Talk to your lender. There are ways to rearrange loans. If the price of your present house has come down, so probably has the one you want to move to. You may find your pounds buying a room or two more and a larger garden than they could in 1988.

Other worries may be more inhibiting. How safe is your job? Are we out of recession? Does the government really know what to do? Is it in charge? Think "no" once, and "no" again until the question that needs "yes" wakes you in the middle of the night. Is it stupid to chance it now? Yes, yes, yes resounds in your head. But if the market can shift gear this autumn, house prices will probably go up a little and more people will be able to live where they wish. That will mean plenty of business for the agents and make Snarey's purchase of Cornerstone look singularly well-timed.

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RESIDENTIAL PROPERTY – LONDON

Foreigners sniff the bargains

No 3 Scarsdale Studios, in W8, £275,000 from John D. Wood

The Chantry, a grand Tudoresque house in Wimbledon, going for £2.9m

Lord Kitchener lived here: Phillimore Gardens, W8, on sale for £2.45m

Gerald Cadogan considers what's on offer in the capital and the market's state

HAVING LED the property revival since last autumn, *London is still pulling* ahead of the country market. Both markets suffer from a lack of good properties to sell and eager buyers becoming frustrated at the lack of choice. Will this imbalance of demand and supply in London translate into higher prices?

Yes, it is already doing so, but slowly. It is a long haul before they match 1989 levels. Last year when prices had fallen to mid-1980s levels, the devaluation of the pound brought foreign buyers. Britain's political stability, lower inflation rate and the likelihood of being first out of the recession were extra inducements, besides the perennial pleasure of having a London base.

Buying has continued busily this year. "Prices have hardened, with sale prices closer to asking prices," says Noel Flint, of Knight Frank & Rutley's Knightsbridge office. Yolande Barnes, head of Residential Research at Savills, puts the rise at 2.5 per cent in the second quarter of 1993, and at 4.4 per cent over January-June.

She sticks to her December 1992 prediction that the rise for *prime flats and houses in central* London will reach 10 to 15 per cent by June next year. She expects an increase of 12 per cent or more during 1994 as a whole, to bring prices back to spring 1988 levels in nominal terms. This bullish forecast carries a caution. The economy must carry on improving without "major political setbacks." And in 1995 it will need another 12 per cent growth to bring prices back to the 1989 plateau.

David Forbes, of agent Chesterfield, is worried that with the shortage of stock agents will compete for instructions by suggesting higher asking prices. This would raise the hopes of would-be vendors but would not attract buyers. "Vendors could flood the market with over-priced houses and we could see a return to an inflated market which could simply stall," he says.

The proportion of foreign buyers in central London has risen from 28 per cent in 1992 to 32 per cent this year, Savills estimates, increasing to 46 per cent in Mayfair, Belgravia, Knightsbridge, Chelsea and Kensington. Many are buying *for their own use.*

Other overseas investors are buying a return of 8 to 10 per cent from letting, which is more than twice the yield on shares and a percentage point or two above that of long-dated gilts, says William Gething, of buying agent Property Vision. These yields will drop as rents will probably remain static when buying prices move upwards once owners decide to release properties. The desire to buy has now spread out from the centre.

Battersea, Fulham and Clapham reported good business in the spring. But again it is the familiar story of not enough stock. Vendors worried that spring 1993 might fizzle out, like spring last year, helped to ensure that it did. Those who *were waiting for the apparent* security of higher prices, were overlooking the fact that the market is wholly relative. Sell for more, buy for more. You must live somewhere. When prices go up, the first to benefit is the Treasury through stamp duty and inheritance tax.

As another boost to UK economic recovery, big foreign companies are bringing more staff to London, helping both buying and rental sectors. Agent Lassmans finds that many prefer to buy on behalf of their staff if they are working in London for a long time. If, eventually, there is no need for the house, it becomes part of company assets and can be let. For Britons posted to London, borrowing is cheap – and may become cheaper – and capital growth is likely in a non-inflationary climate.

If vendors agree a good price, the surveyor or mortgage provider's valuer may declare it not worth that much or point to its bulges and cracks as possible signs of subsidence (covering against later claims of negligence). Then the buyer may try to renegotiate.

The vendor may refuse but then he has the hassle of finding another buyer, while a foreign potential buyer may lose confidence and withdraw altogether. This is a real risk when, as Flint pointed out, the discrepancy on the best properties may be £100,000 to £200,000.

Two seriously expensive houses still wait for the right buyer, 9 Tregunter Road, SW10, with a guide price of £9m freehold, and Halkin Gate House, off Belgrave Square, SW1 on a long lease, with high ground rent, is £5.75m. De Groot Collis is agent. Two other premier league properties offer plush penthouses and flats: the new conversion of 130 Park Lane, W1 on the corner with Green Street (from De Groot Collis or Wetherell) and 3a Palace Green in Kensington Palace Gardens, W8 (from Hamptons or Savills).

An unusual Art Deco house, within walking distance of Lord's cricket ground, is 58 Hamilton Terrace, NW8. Designed by Francis Lorne in 1934, it deserves to be listed. It visibly pays respect to its early Victorian neighbours. Behind *is a long* garden with swimming pool. Lassmans is selling the 58-year lease for £1.75m. The freeholder is the John Lyon Road Trust which continues to carry out the wishes of Lyon, founder of Harrow School in 1571, to keep the road from Harrow to London in good repair.

On the better known Eyre estate, in St John's Wood, 30 Marlborough Place, NW8, is an early Victorian six-bedroomed "cottage", which Lassmans *offers* on a 43-year lease for £1.15m. It too has a good garden. A more imposing house is no 28 in Nash's Chester Terrace, NW1, on the east side of Regents Park. It is on sale for £1.395m from the same agent or Aldine Honey. In Lowndes Place, SW1, there is a villa on offer for £1.85m from Francis Russell or Aylesford (52 years: the ground rent, already £1550, is to be reviewed in 2001).

Lord Kitchener, the soldier and war minister, lived in 44 Phillimore Gardens, W8, a solid house with a garden, which John D. Wood offers for £2.45m. The agent also offers, new on the market, a maisonette with palm trees in the garden at 49 Holland Park, W11, for £875,000. This freehold property gives the buyer the right to £600 of ground rent from the other occupants who will become his/her tenants.

Some good Georgian brick houses: 21 St Leonards Terrace, SW3 (Egerton or Knight Frank & Rutley, £975,000), 20 Fournier Street, E1 (Jackson-Stops, over £280,000), 5 Highbury Terrace, N5 (Wood at Regents Park, £695,000) and 39 Percy Street, W1 (William H. Brown, £700,000).

And, to end with a splash, The Chantry, a grand 1920s Tudoresque house on Ellerton Road in Wimbledon, SW20, which includes a Japanese-style water garden in the grounds; £2.9m from Wood, in Wimbledon.

■ Further information: Aldine Honey (071-834-4901); Aylesford (071-351-2383); William H. Brown (071-636-2736); Chesterfield (071-581-5234); De Groot Collis (071-235-8090); Egerton (071-584-7020); Hamptons (071-937-9371); Jackson-Stops (071-499-6291); Knight Frank & Rutley (071-824-8171); Lassmans (071-499-3434); Francis Russell (071-225-3344); Savills (071-499-8644); Wetherell (071-493-6935); John D. Wood (071-267-3267 at Regents Park; 081-944-7172 in Wimbledon).

COUNTRY PROPERTY

William H. Brown

Possibly eligible for 100% Inheritance Tax Relief

SUFFOLK -
THE PLUMTON HALL ESTATE - 477 ACRES
Bury St. Edmunds 5 miles,
Newmarket 11 miles, London 70 miles

AN OUTSTANDING RESIDENTIAL ESTATE
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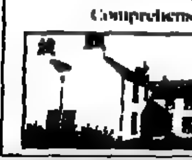

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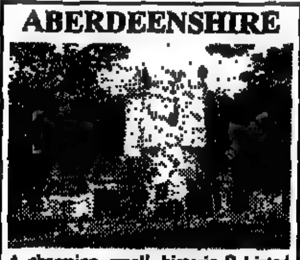

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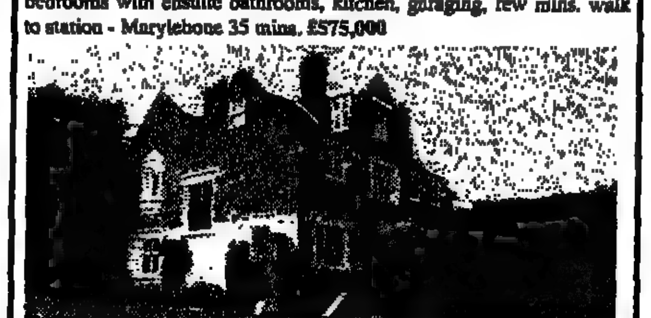

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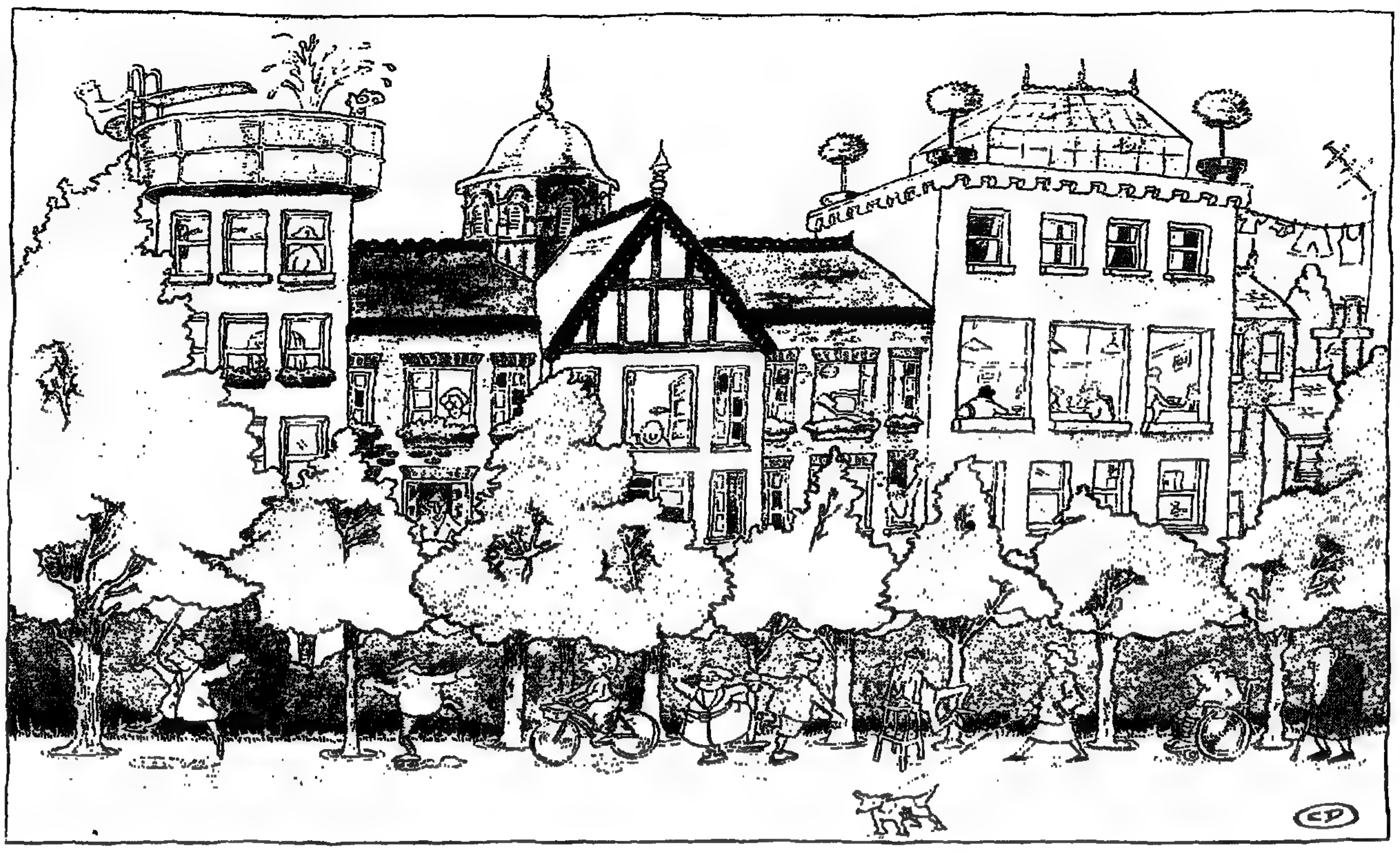
هكذا من الأصل

How to remain independent in old age

*What are the priorities of elderly people when choosing a new home? **Gerald Cadogan** finds out what is on offer*



HOW ARE gran and grandpa? Carrying on, ever plucky but less able to cope? Is it time to say "You can't spend another winter in this house, mummy," and ask them to live with you? That would be the way in Mediterranean countries. A British variant is to put them in a granny flat next door to you.

Or you can suggest buying a flat or house in a retirement home. For many old people it is the best solution – if it is a high-quality, well-run place.

Retirement homes maintain grandparents' independence. If you are ageing but not incapacitated – the average for entering homes in the Pegasus group is 73.5 years – you continue to have a base that is yours with your own things around you, or what you keep of them after distributing the chattels from your old house – in a pre-emptive strike against your children's squabbling over them when you are gone.

You have company, of people of similar background who have had similar experiences. And you have protection, which is why retirement homes are also called sheltered housing. A warden/administrator is on duty or at the end of a red emergency button all the time. They are not nurses, but can arrange nursing and will check that you are alright if you have not been out for a day or two. (If you are chronically ill, you need a residential home.) They also call the plumber, make sure the dustbins are out and have the windows cleaned. For the service charge, retirement homes free you from building maintenance.

Top-class specialist developers such as (in alphabetical order) Beechcroft, Bovis, English Courtyard Association, McCarthy & Stone, and Pegasus, are coming through the recession, and the market is picking up well. But some companies – both big ones and local speculative builders – thought rejigged starter homes would suffice for the old. They do not. This has led to an overhang of "sheltered flats" in the market, which discourages the banks from putting up money for new schemes, Henry Thornton of Beechcroft notes.

Choose your scheme carefully is the corollary, and look closely at the service for the residents. Is it easy to walk to the shops? How near are airports, railway stations and motorways?

Beechcroft's University Farm scheme in Moreton-in-Marsh (a joint venture with Nationwide Housing Trust) has a rare plus. It is in a Cotswold town that has a station at the end of the High Street. And Pegasus's Grandpont scheme, now being built as a joint venture with Brasenose College, just south of Folly Bridge, Oxford, on the former Oxford City football ground, is surprisingly close to the middle of the city.

Old people like activity, or watching it. Michael McCarthy, of Pegasus, finds that the first units to go in a development overlook the drive or the main entrance.

Good schemes are often built around a courtyard, giving a sense of community neighbourliness that people living in city terraces are used to. They may incorporate an existing building that gives the reassurance of continuity.

Pegasus's scheme at Brackley, in Northamptonshire, is designed around a solid Edwardian building which used to be a boarding house for Magdalen College School, and at Cerne Abbas, in Dorset, Beechcroft has a tithe barn and a meadow beside the River Cerne.

The units are usually flats or cottage-sized houses that can be arranged for buyers' preferences, sometimes by knocking two units into one. Size varies. Grandpont will be the largest in Britain with 101 units, including 42 family houses with gardens to include young marrieds with children as well. Beechcroft's scheme in Odiham, Hampshire, will have just 18 cottages, and English Courtyard's Framers Court at Lane End, near Marlow, Buckinghamshire, 17 cottages, six maisonettes and four flats.

Inside they are planned to help the old unobtrusively. That means doors wide enough for wheelchairs, living rooms that will convert into downstairs bedrooms and plugs at knee to waist height. But Pegasus does not install grips and rails around the bath until people ask. It helps planning, McCarthy says, to visit buyers' old homes to see how they live.

Some schemes expect residents to instal their own washing machines. Others have communal laundry rooms. Any problems? Ask the warden. In Brackley she knows the house well as she had been the house matron when it was part of the school.

Other amenities may include a guest suite, a commou room and a restaurant. A three-course lunch with coffee in Brackley costs £3.75. Pegasus is including restaurants on all its new schemes as part of the service although they do not make money. It also puts some of its profits into the Pegasus Trust, to help with emergencies such as hospital operations or wheelchair provision.

McCarthy, who has a doctorate in social studies and has written The New Politics of Welfare, stresses that good retirement home management is "anticipating progressive need." Residents can then cope for many years. It is not the aim to push them out. And if the scheme has a swimming pool, there is no better exercise.

So who are the occupants? At Oxford they are dons, librarians and clergy. At Brackley they are engineers, doctors, teachers and businessmen. Nowadays, couples often decide to make the move together. Prices for Pegasus average £102,500. The Beechcroft Cerne Abbas cottages cost £135,000-£165,000. At Radlett, in Hertfordshire, Bovis has flats from £97,500 to £135,000, and English Courtyard's new developments range from £130,000 (a flat at Ilminster in Somerset) to £215,000 (a cottage near Marlow in Buckinghamshire). The service charge at Brackley is £23 a week including water but not council tax.

Whether leasehold or freehold, selling on should not be difficult. With a greying population it is a growth market. From 1961 to 1989 over-80s increased from 2 per cent to 4 per cent of the population and over-65s from 12 to 16 per cent, and will rise to 19 per cent by 2021 and 22 per cent by 2031.

The sector, McCarthy says, is a "still embryonic" large market, where the homes can meet needs that fragmented families cannot. He values development companies which run their own management. It makes a better planned way of helping us to grow old pleasantly.

■ *Further information on* schemes around the country from: Beechcroft (0491-834975); Bovis (0582-766661); English Courtyard Association (071-937-4511); McCarthy & Stone (0932-336099); Pegasus (0234-240044).

RESIDENTIAL PROPERTY – INTERNATIONAL

Image problem: dreary housing estates and a "Trabbi" in east Berlin

Bureaucracy: the new Berlin wall

Legal and ownership disputes have snarled the market in the former east Germany, says ***Judy Dempsey***

WHEN the Berlin Wall was dismantled in November 1989, those who had never dared set foot in the former east Germany were surprised by what they saw. In spite of the former communist regime's attempts to pull down many fine buildings in east Berlin, some were spared the bulldozers. The Dom, the beautiful Protestant cathedral where some of the Prussian kings are buried, and the Synogogue are just two examples. Both have now been restored.

As the visitor drives northwards through the rolling plains of Mecklenburg-Vorpommern to the Baltic coast, or southwards through small, cobble-stoned villages in Saxony and Thuringia, he or she will see numerous houses standing empty and in need of repair. These properties should have been snapped up by now by property developers, speculators and former owners. But what was once considered a dream, providing rich pickings for those with cash, has turned into a nightmare for some wanting to buy property in the five new Lander, or states.

The root of the problem rests with the unification treaty of 1990. The treaty gives former owners, whose property was confiscated between 1933 and 1945 or between 1949 and 1990, the right to claim back their property or seek compensation.

The law was amended two years ago to give investors priority over restitution, provided that the claimant could not match the investor, particularly in terms of property development which would provide employment. Once that was proved, the investor paid compensation to the original owner. But as investors and individuals wishing to buy a plot of land are finding out, things are not so simple.

Anyone wanting to buy land or property in eastern Germany must first establish whether there are any outstanding claims on that property. This means going to the local Landesamt, which holds a record of some land titles, or applying directly to Barby, eastern Germany's central land registry. The latter contains almost every single land title for the country. The problem is, the 15 kilometres of thick, leather-bound titles are not computerised. Moreover, some of the land registries were destroyed, had pages torn out, or in some cases the Nazis or the communists blotted out the names of the original owners so that – particularly in the case of Jewish families who survived the Holocaust – they would not return and reclaim their property.

In a bizarre twist of history, I have been told several times by lawyers that former Nazis who concealed the names of the original Jewish owners are now trying to reclaim that property.

The staff at Barby – which was used as a Russian garrison after the second world war, later as a hostel for Gastarbeiter, or guest workers, and then as a land registry tightly controlled by the Stasi, or state security police – have since installed infra-red equipment which can penetrate the blacked-out titles. But the process takes time.

At present, 1.21m claimants are seeking restitution or compensation for 2.6m titles throughout eastern Germany. The expiry date for registering a land claim was December 31 1992, but the 4,000 officials processing the claims have only resolved about 22 per cent of all cases. In cities such as Leipzig and Halle, claims have proceeded very slowly; indeed, the success rate is as low as 6 per cent in Halle, the birthplace of George Friedrich Handel. Klaus Rauen, the mayor, throws up his hands in despair. "Without resolving all these property rights, we cannot speed up investment. Moreover, we need to settle these claims so that we can renovate the buildings in the centre of our city."

Cities such as Leipzig and Berlin are awash with property consultants who set up offices after 1989 in the expectation that they could acquire land quickly and cheaply. But Stefan Breidgen, a consultant for Jones Lang Wootton, the UK property consultant also based in Frankfurt and Berlin, is more realistic. He says property claims are moving a bit faster, but those wanting to buy must have "patience, money, and a good lawyer".

Patience is needed because the bureaucracy is so slow. Although government officials stress that establishing the title on land can be resolved within two months, claimants and property developers say many cases take at least nine months – if not longer. Moreover, claimants complain that local officials delay in replying to letters and demand more evidence of original ownership. Claimants also say that low-level officials are bribed by property speculators to dissuade the original owner from pursuing a claim.

Money is needed because claimants not wanting to regain their property will be looking for compensation at the market rate. And a lawyer is crucial to establish, check, and negotiate the final purchase, restitution or compensation claims.

The investor faces another potential problem. It concerns property expropriated by the former Soviet Union when it controlled eastern Germany between 1945 and 1949. Under the terms of the unification treaty, those whose property was expropriated during this period are not entitled to restitution or compensation. The government in Bonn claims that the Soviet Union made the *non-return of this property* a pre-condition of German unification. Many of these former property owners were aristocratic land-owners and large entrepreneurs.

In recent months, Daimler-Benz and other land-owners have begun to challenge the Soviet veto on the ground that Moscow never laid down such a pre-condition for unification. Whether they can prove this in the courts is another matter. But it places a question mark over the status of this land, which totals 13,000 square miles. Some is under the Treuhand, the agency charged with privatising eastern German industry. Some is rented out to small farmers.

Perhaps this is an unduly bleak picture of the property market in eastern Germany. But there is hardly an official in any of the five Länder who does not agree that outstanding Vermögensfragen – property questions – is one of the principle headaches of unification. All admit, too, that the problem will need at least 10 years to resolve. The longer it takes, the longer the delay in property prices finding their real market value.

As they were: streets named after communist heroes are gradually being changed by the new administration

A French connection on the waterfront

***Audrey Powell** has been touring France and discovering holiday homes to suit nearly every pocket*

WITH A near 2,000 mile stretch of coastline, France offers the home-buyer who has designs on living by the water three choices: the Channel, the Atlantic or the Mediterranean. A variety of property styles and climate to go with the three expanses of water are also on offer.

For those living in south-east England the spring opening of the Channel tunnel will make a weekend home on the northern French coast a more inviting and easily-obtainable prospect.

The French tourist board stresses the virtues of the Opal coast – 55 miles of beaches, dunes and cliffs between Calais and Berck.

It will be possible to reach the resort of Le Touquet and lesser-known Hardelot (founded by Englishman John Whitley at the beginning of the century) in three hours from London.

Hardelot is a resort with many activities to amuse all the family. It has two of the Opal coast's eight golf courses, a sizeable equestrian centre, a tennis club and 10 miles of broad beach (much used for horse-riding and sand-yachting) stretched before a pine forest. Then there is a compact town, with boutiques and restaurants, to interest all shoppers.

Lesur Promotion has a choice of property in the resort to suit most buyers – apartments, seafront or in more secluded areas, from £48,000.

A family looking for a weekend home may prefer to have a house built. Different sized plots can be bought from £60,000 either on a golf course or tucked away in pine woods. A three- to five-bedroom villa is standard, as is the steep roof. This would cost £80,000 upwards on top of the plot price. Other prospective buyers might prefer an individually-designed property. (Information from Lesur Promotion Hardelot 21 91 91 00).

Earlier this year a group of established British-based estate agents offering property in France combined to form Groupe France, which collectively almost covers the country. Each company continues to specialise in a defined area, but when one does not have a particular type of property sought after, the applicant's name is passed on to a fellow agent.

One member of the group, Rutherfords (071-386-7240), extolls the virtues of west coast France – bracing air, beaches cleaned by the Atlantic ocean. It suggests resales at Port Bourgemay, near Les Sables d'Olonne, could be useful buys. A typical studio starts from £24,500, a furnished two-bedroom apartment from £43,000. Port Bourgemay has a sandy beach, golf course, tennis and other resort facilities.

Up to 100,000 Britons are selling their property in France, says Frank Rutherford. Indeed Britons buying resales at Port Bourgemay will likely be buying from fellow countrymen, saving time and trouble.

On the south coast of France the choice of property is immense, with a price tag to match.

Residence Atoll Beach, at Port Saint-Laurent is a new eye-catching block of apartments, built in a series of horizontal lines. It took the development company, Atoll Beach, seven years to obtain permission for the project, which involved relocating the nearby road to enable the apartments a situation next to the sea.

The completed, crescent-shaped building, on six floors, comprises 109 one to four-bedroom apartments, with shops at ground level and a hotel with swimming pool. Prices range from £150,000 for a large studio with terrace and sea view, to £1.24m for a four-bedroom, four-bathroom apartment, with basement garaging. (London agent is David de Lara & Partners, 081-742-0708).

For those who prefer something with more privacy, a recently-restored 1920s house on the water, with private mooring, beach and cove, is available on the Cote de l'Esterel, west of Cannes.

Each of the villa's three bedrooms has a balcony overlooking the sea. The owner, a member of a rock group, is seeking £1.6m, through London agent Barbers (071-381-0112).

Canalside houses at Port Grimaud, the "lagoon city" in the Gulf of St Tropez are as near the water as is possible.

The resort has grown to 2,500 homes. On a summer evening a procession of boats can be seen – their owners returning them to the end-of-the-garden moorings.

Building began at the resort in 1966 and was due to be completed by now, but the final section has not yet been built. This will comprise 40 apartments and 55 houses – reservations are awaited. Meantime there are a few other new properties available and some resales. (Sales office Port Grimaud 94 36 21 82 or UK contact 0243-572001).

The architect, Francois Spoerry, now aged over 80, has a home there, which he designed he says, with a smuggled pencil while a prisoner of war.

His commissions have been worldwide but he now concentrates mostly on France. One current project involves a hotel at Beauvallon, St Maxime, with additional development, for the American Disney group – its first hotel in France.

Interesting to watch develop will be a project further east along the coast at the old port at Frejus.

Spoerry's practice has been brought in to oversee the second phase, which will mirror Port Grimaud, with its canal side pastel-shaded houses and slightly taller apartments. But here the development is cut inland, rather than being built outwards like Grimaud, and the canal will meander beneath bridges leading to a lake. Several builders will be working on different sections that will be carefully co-ordinated.

A few properties from the first phase are still available and those in the next phase will start coming on the market next year. Prices are expected to be lower than at Port Grimaud. (Information from the developer, La Semaf, at Frejus 94 82 63 00. Or those whose French is rusty might prefer to contact Caroline Jenkins at the Frejus Notaries' Office, 94 51 00 05).

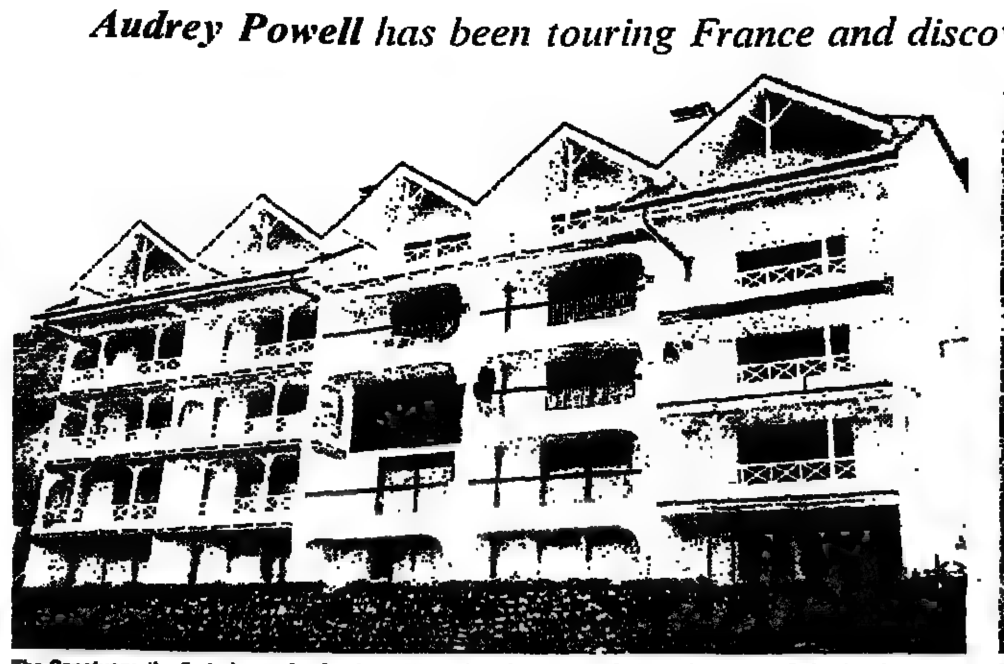
Waterside France is not limited to the coast. David Kay, of Waterside Properties International (0892-750011) points out: "There are over 33,000 communes in France and 25,000 of them have water features – lakes, tarns, rivers, canals." His agency has dozens of inland properties with what he calls "water-related opportunities", on its books. There are lock-keepers' cottages, canalside houses, watermills, restored and unrestored. Prices range from £30,000 to £1.5m.

A former windmill, now a two-bedroom house, has views over the bay of Mont St Michel. A small hotel in a tourist village is "just a few yards from a large lake". A terrace of four cottages is "ideally situated for gites" and a five-bedroom watermill close to a lake is just an hour of Paris.

Different again is the "waterside France" bordering the Alpine lakes. Whatever the market, someone has it – Alpine Apartments Agency (0544-388234) specialises in this sort of property.

Seekers of a waterside holiday home are reminded that while a town like Annecy has popular appeal with its cobbled streets and arcades, prices are high, even for a one-bedroom apartment. "Lakeside houses with a mooring at the bottom of the garden are rare and can command £950,000." A somewhat old-fashioned three-bedroom house looking over the lake at Menthon is £255,000.

Close to the Swiss border on Lake Geneva and on the water's edge, is The Sanctuary, at Meillerie, a phased development of apartments. Prices for two-bedroom designs are from £105,000. A rental-income and letting service, is available. Building starts on the second phase this month.



The Sanctuary, the first phase of a development on the edge of Lake Geneva close to the Swiss frontier

This mill and cottage – the mill is unrestored – is priced at £150,000 from Waterside Properties Intl

Smoother moves abroad

HOW DOES one cope with moving abroad? Currently, some 421,000 Britons live in other EC countries. While there is a network of relocation agents to guide and help other nationals moving into Britain – as in the US – the number of companies offering to assist the British into Europe seems surprisingly few.

The directory of the Edinburgh-based Association of Relocation Agents (ARA) lists 116 members and Associates ready to help people find homes in parts of Britain. But only six will handle moves into Europe.

ARA was founded in 1986 and its chairman, Tad Zurlinden – he is of Swiss extraction – admits that the number of members in the international section is sparse. In a growing market it seems odd to find so few companies operating.

Taking the Benelux countries as an example, the latest figures (which are for 1991) show that Belgium had 23,300 resident Britons – the number of Britons moving into Belgium has nearly quadrupled since 1985 – the Netherlands 39,000, Luxembourg, 3,200.

"The Americans have had relocation in all its different guises for 25 to 30 years. In Britain there were a few companies in the 1970s but the service has only built up in the last ten years," says Zurlinden.

However, although there are relatively few relocation companies, between them they provide a wide range of services. Not only will they find property and furnishing services, they will make sure that gas, electricity and so on are connected for new occupants. They may also arrange the letting and management of the home you have left behind.

People & Property says it gives a personal service to corporate and private clients. This includes area orientation, homefinding (to buy or rent), educational counselling, furniture removals and introductions to decorators.

At EuroHome Corporate Services, based in Amsterdam, Avrom Goldberg, managing director, provides destination homefinding, international homesale and spans 37 countries on four continents. Goldberg says of Belgium: "It is pretty much a buyers' market. You will get detached houses and far more space there." Rents in Brussels had peaked and were coming down, he says, while in Amsterdam they were rising.

■ Association of Relocation Agents, tel: 031-558-3060; People & Property, 071-225-1313; EuroHome Corporate Services, Amsterdam 611 69 36.

Audrey Powell

RESIDENTIAL PROPERTY – THE RENTAL SECTOR

Landlords are flavour of the month again

The property recession has been a boon for the rental market, says ***Gerald Cadogan***

THE RENTAL sector has profited from the recession in the UK property market. Many people rent short-term, for employment or other reasons. But in the past few years many Britons have been renting longer-term until they feel that the time is right to buy – agent's books are full of such people waiting and watching the market for signs of a pick-up.

Before the second world war it was common to rent one's house, in London and sometimes also in the country. After the war the habit withered – except for sportsmen renting shooting lodges, hunting boxes or houses for Ascot or Wimbledon.

It was also an era of high income tax: it made sense to be a buyer and to gain as much mortgage relief as possible. Meanwhile landlords fretted that they would never be able to eject tenants from their property because the law would protect them. So they let to companies or to foreigners, who were unlikely to go to court. Gradually the rental market dried up.

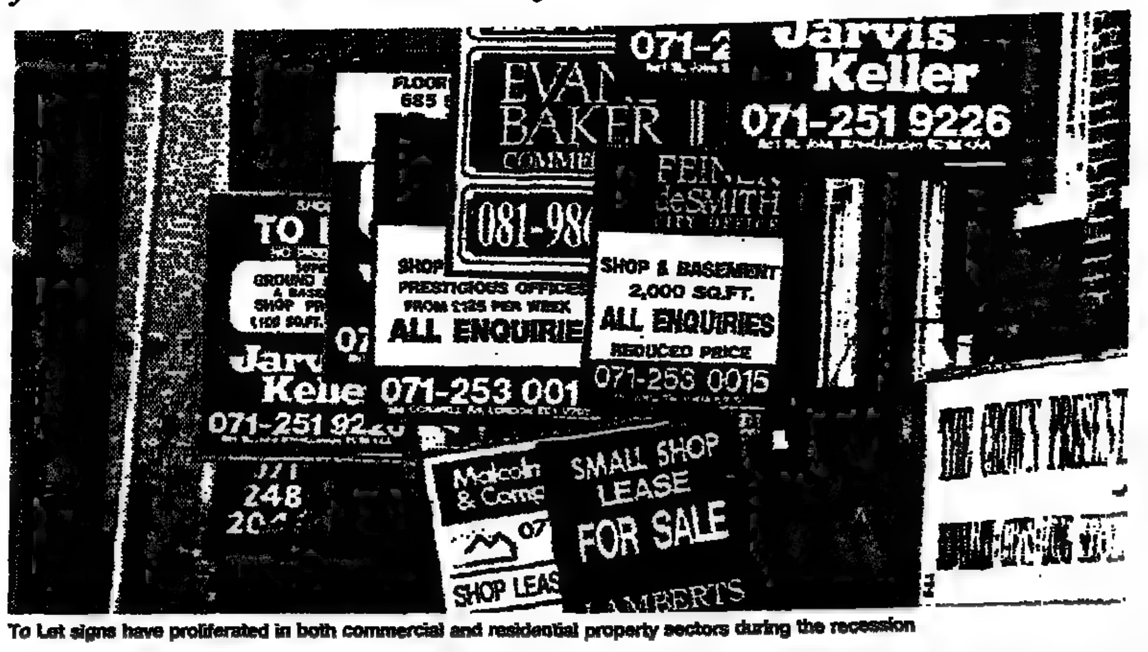
In the recession it revived. The new law of assured shorthold tenancies, allowing landlords to regain possession at the end of the lease, has given them the confidence to let to the British. As the buying and selling of houses slumped, renting grew.

A recent survey by the University of York with the Association of Residential Letting Agents (ARLA) reported that lettings increased in 1992 by an average 13 per cent per agent countrywide, with the largest increase of 21 per cent in the inner London suburbs. Seventy per cent of the lettings were assured shortholds.

While UK interest rates were high, potential house-buyers found that their monthly rent was cheaper than a hefty mortgage, and that it was easier to wait and see how far prices would drop.

The reverse was that would-be sellers became landlords, waiting for prices to rise again. So did those hit by Lloyd's liabilities or other debts, who decided that the rent income from a pied-a-terre was more valuable than the luxury of a second home. The York/ARLA survey found that about one fifth of private landlords in 1992 were people unable or unwilling to sell their properties.

Now it is back to the 1930s. Renting is established again as a flexible alternative that makes sense for landlords and tenants. A glance at the property advertisements shows how many more homes are for renting, in town and country. The UK is slowly catching up with the rest of Europe, where it is normal for city-dwellers to rent rather than buy.



To Let signs have proliferated in both commercial and residential property sectors during the recession

But the fall in interest rates and prospect of rising house prices changes the picture for those wanting to buy and settle down. They do not want to miss the turn of the market, knowing that month by month their payments (on an old-fashioned repayment mortgage) cut the building society's share of their house.

For first-time buyers, who can obtain a 5 per cent mortgage if they shop around, it makes sense to buy now. From rental savings they should be able to recoup their deposit and buying costs in 18 to 30 months, says Yolande Barnes, of Savills. That is one of the reasons behind her bullish view of the property market. All those who have been waiting five years are now eager to make their move. The problem is. Where?

At present there are not enough houses on the market. And until the new private landlords who would not or could not sell their properties change their minds, the stranded tenants wanting to escape to their own place as owner-occupiers will have to carry on renting.

In London the hard core of tenants that all cities have is growing, Ruth Gray of agent John D. Wood reports, as foreign banks and multinational companies look for places to house the extra staff they are bringing to London.

In Arthur Road, Wimbledon, SW19 she could quickly arrange a let at £2,600 a month for a family with Shell, for a house which had "sat" for a while at £2,400. This was in August, which is letting agents' busiest time, before school starts.

Whether tenant or landlord, you need a good agent - unless you make the arrangements yourself. For new landlords that is not advisable, as the law has many traps. And even if you are experienced or the tenant is an old friend, it is easy to make a mistake or fail to keep up with the changes in the law.

Do you, for example, know who normally should pay the new council tax? Glentree Estates' (081-458 7311) useful guides for landlords and tenants point out that it is the tenant or permitted occupier – even though the tax is a modified form of the old rates, when the landlord often paid.

ARLA (071-734 0655) is the only professional organisation devoted solely to lettings. It has about 500 member offices across the UK, which are growing by 10 a month. Its code of practice is what all letting agents should follow, stressing the duty of care to the tenant as much as to the landlord.

Good agents will check references, prepare the inventory, see that the rent is paid on time (and passed on to the landlord), pay the tax at source that the Inland Revenue may require from landlords abroad, and deal quickly with the sudden failure of the boiler and the other hassles of living in a house or flat one does not own.

Since October 1992 all ARLA members have been bonded by professional indemnity insurance to protect the tenants' deposits and the landlords' rents. They must also have been in the letting business for at least two years and, like solicitors and accountants, have separate client accounts for the monies. For letting property they can take commissions only from the landlord.

Enfranchisement: the word means freedom

Gerald Cadogan *explains how the new leasehold reform act will work*

THE ENGLISH and Welsh property markets enter a new phase on November 1 when the Leasehold Reform, Housing and Urban Development Act 1993 comes into force.

When the measure left the House of Commons for the Lords its proposals for leasehold reform had provoked strong reactions from landlords, especially in central London where many of the great estates are situated.

Both landlords and leaseholders are perhaps happier now that the Lords have had their say, although the act will still not satisfy those who saw it as a big step towards abolishing the leasehold system altogether. Indeed, Charles Boston, of surveyor Francis Russell, claims: "The attractive option of a 90-year lease extension [as contained in the act] will perpetuate the system."

From November, though, many people will have the option to enfranchise – the official term for acquiring the freehold of your house or flat. For complete details, the act can be obtained from Her Majesty's Stationery Office for £19.65, while the department of the environment has prepared a booklet for libraries and citizens' advice bureaux.

The DoE also is planning an advisory agency to help with more complex matters, such as when capital gains tax applies. Liability could arise, for example, when enfranchised owners sell a lease to a third party who was not an original member of the group enfranchising.

The main aims of the act are:

■ To give long leaseholders the right to take a full share – financially and in management – in the ownership of where they live.

This will be done by giving them a right to buy their freehold or extend their leases, so improving immediately the chances of around 750,000 leasehold flat-owners in England and Wales to get a mortgage for what have been, until now, diminishing assets. The lease extension alternative will be equally effective in improving the scope for getting a mortgage.

■ To improve the quality of management.

This often is woeful, especially in outer London and the south-east. On the great central London estates, complaints about the expense of management are heard regularly.

For enfranchising houses, the act extends the Leasehold Reform Act 1967 (as modified by the Housing Act 1974) and keeps its residency test. Thus, the property must have been the owner's main residence for the past three years or three of the past 10. The original lease must be over 21 years and the ground rent low.

The old test of a rateable value limit of £1,500 in London, or £750 elsewhere, is scrapped. The new criterion is that the ground rent must have been two-thirds or less of the rateable value when the lease was granted (or of the letting value if that was before April 1 1963), or not over £1,000 in London (£250 elsewhere) for a lease granted after March 31 1990. Thus, leasehold houses with high ground rents (which applies to many new leases) have no chance of enfranchising until there is another change of law.

The alternative of a 50-year lease extension beyond the original date of expiry is still available – but only for houses that satisfy the rateable value limits of the 1967/1974 rules, not for those that now meet the 1993 low rent rules for enfranchising. There is no capital cost for an extension but it does involve a "modern" (high) ground rent which can be reviewed after 25 years. Any right to buy the freehold is lost.

While mews dwellings, with a separately-let garage underneath, cannot be enfranchised, they could qualify for lease extensions. Houses in cathedral closes will be enfranchiseable if they qualify.

With flats, the the new rules for enfranchisement say:

■ The building cannot have more than 10 per cent of its private floor space used commercially.

This means that if the ground floor is all shops, the block must be more than 10 floors high to qualify. (If it does, the leaseholders' company – which must be formed in any case to acquire the freehold – will have to buy out the commercial interest, too. This could be very costly).

■ The building must be a vertical unit.

This excludes some flat conversions which spread across what were originally two or more houses.

■ There must be two or more flats.

In addition, two-thirds or more of them must be let on qualifying leases (more than over 21 years) and at a low ground rent (as for houses).

■ At least two-thirds of the qualifying leaseholders must give notice of wanting to buy the freehold, and they must own at least half the total number of flats in the building.

Likewise, at least half of these qualifying leaseholders must have occupied their flats as their only or main home for the previous year (not three years, as for houses) or for three of the past 10.

Excluded from enfranchising are business tenants; tenants with three or more flats in the building (none qualifies); and cases where two-thirds of the qualifying leases end in the next five years and the landlord intends to re-develop. Converted houses with up to four flats and a resident landlord (or adult members of his family) do not qualify, either.

There is a blanket exclusion for National Trust and Crown property, although the Crown might not always enforce this. Also excluded are buildings owned by trusts and associations providing charitable housing (this does not include Smith's Charity in South Kensington, London) and buildings exempted by the Treasury from inheritance tax, such as (leased) dower houses forming part of a stately home. There may be only 80-100 such cases in England and Wales.

There is also an exclusion under the 1967 act for houses where the landlord intends to move in and had an interest before April 1966 – meaning that, if he bought it after that date, he should have known he could face enfranchisement.

Flat leaseholders will have an individual right to a 90-year lease extension at a peppercorn rent (whether or not they qualify for collective enfranchise

■ Continued on facing page

Enfranchising your property

■ From previous page

-ment) if they have occupied the flat as a main or principal home for three years (or three of the past 10).

This does not apply to corporate leaseholders, who cannot extend their leases compulsorily in this way. It can apply to people owning two or more flats in the building, but it could be hard to pass the residency test. Such extensions are renewable – and may still qualify for enfranchisement.

The price for extensions is calculated like that for enfranchising *and will include an element* of "injurious affection" to compensate the freeholder for the compulsory purchase and loss of development potential, or decline of value in adjacent land he owns. But the landlord can counter the purchase with a proposal to re-develop.

However, the price for enfranchising could be daunting. It includes the freeholder's interest (the ground rent discounted over the remaining period of the lease), *plus* at least 50 per cent of the "marriage value" (MV) – the increase in property value by combining the freehold and leasehold interests) – *plus* buying out intermediate interests such as head leases, *plus* injurious affection, *plus* the landlord's costs, *plus* the leaseholders' own costs.

On leases near expiry which are approaching a freehold status, the 50 per cent minimum of the MV could rise to 80-90 per cent or more. And, in blocks of flats, the total price depends partly on how many leaseholders take part.

"It will incorporate MV in respect of participants and possible 'hope value' [of a better deal some time later] for those not participating," says Boston. "The corollary is that it is not just a matter of dividing a cake of set size. The cake will vary in size."

To enfranchise, it is wise to seek professional advice from the start. And it is essential to go through the steps by the times specified in the act, or the effort will fail. The strict timetable for both sides cuts to a minimum the grey period when a group of leaseholders starts the process, affecting the sale value of flats that are not joining in.

The act also allows tenants to appoint their own auditor if the management is not doing its job or is charging too much. The environment secretary can approve codes of management. While these will not be binding legally, infringing them can be used as *evidence*.

"Tenants will benefit most when the open market value of their leases is about half of the freehold vacant possession value," Boston says. In London, that means leases with *20-25 years left*.

In view of the cost and fuss of enfranchising, lease extensions could end up as the most popular option. In the future, as present 80-90 year leases run down, ever more leaseholders will be glad they are no longer pariahs to the mortgage companies but can show evidence of a continuing asset.

The new act extends the 1967 act's system for compulsory purchase of property for reasons other than the public good. Landlords have attacked this as a denial of contracts made freely (although that principle fell in 1967) and leaseholders feel it has too many traps. All will watch the first cases attentively.

Enfranchising should not, however, affect the look of the great London estates. Amendments to the original bill tightened the rules for estate management schemes after enfranchisement. They allow English Heritage (or the local authority) to run a scheme as a last resort in a conservation area; or for the landlord to transfer it – say, to the association of new freeholders – when he does not own enough freeholds to keep his interest.

That is well into the next century, though. In the meantime, if you live in a flat and want to enfranchise, make sure you get on with your neighbours.

* For further information, try *Leasehold Reform* (£10), available from the law firm of Macfarlanes (071-831 9222) or Property Vision (071-602 8788); and *Understanding Leasehold Enfranchisement*, from Francis Russell (071-225 3344).

A snip – of the secateurs

***Gerald Cadogan** looks at homes for serious gardeners*

"ACID or alkaline?" is a typical, no-nonsense question that serious gardeners will ask an estate agent when they are considering buying a house. With a shrewd idea of the *answer*, these gardeners are inquiring about the soil type and, perhaps, checking to see if the garden is good enough to appear in the Yellow Book, the annual list of gardens open to the public.

*Serious gardeners start view*ing the outside of a property first. How much work will it be? Has the owner planned the beds well and coped with the soil conditions? If it is limey, are there acid pockets for *heather or azaleas? These prac*tical queries help to decide how interesting a garden it is, or could become.

Is it a standard mixed herbaceous, shrub and rose garden – or is it a plantsman's garden with unusual species? For serious gardeners the grounds are as important as the house, if not more so, because the garden says best what sort of people they are.

Two of the most interesting gardens to have come on the market in the past year, Clapton Court, in Somerset, and Shute House, in Dorset, each the creation of their vendors, deserve serious gardeners. Shute sold quickly; Clapton has taken a year but a sale is now agreed.

New on the market, and sure to excite, is Tilgates at Bletchingley in Surrey. Together with Bodnant and the Savill Garden in Windsor, it houses the National Collection of Magnolias and has the world's largest collection, which vendor David Clulow has made over 23 years. Add azaleas and rhododendrons, many of his own raising, and a total 5,500 shrubs and trees (listed and labelled by computer) – but nothing herbaceous – so that it can be run by a gardener and his wife, and Tilgates looks a snip of the secateurs at £600,000 (from the London office of Knight Frank & Rutley).

In 1906 Surrey's greatest gardener, Gertrude Jekyll, designed the 20 acres of terraced gardens and park at Thorpe Hall, Louth, in Lincolnshire, a brick house that dates back to 1584 and is listed Grade II*. Savills in Lincoln is seeking in excess of £650,000.

Elaborate stone terraces, clipped yew hedges and spring fed pools abound in the garden of Overdale, at Church Stretton, Shropshire, landscaped by Bakers of Wolverhampton in 1928. As the job took three years and employed up to 20 men, buyers will ponder how much labour it needs today. Does that explain why the price has come down from £375,000 to £295,000, from Balfour & Cooke or Knight Frank & Rutley in Hereford?

In Yorkshire, Totterdownhill Farm, 16 miles from York, has four separate gardens in 1¼ acres and varieties of hosta, viburnum, prunus, cornus and much more. Savills in York is selling it for £300,000. In Perthshire the garden at Dykeneuk, at Butterstone, near Dunkeld, is larger and is planted with shrubs to give year-round colour. Knight Frank & Rutley in Edinburgh is asking for offers of more than £200,000.

Back in the Home Counties, Chesworth, in Horsham, Sussex, is a 15th/17th century house in 65 acres beside the River Arun, which feeds the waterfalls and weirs in the water gardens. Its 65 acres include a walled rose garden. "A halo of romance still hangs about this quiet spot," wrote the local historian in 1889. This romance, from Egerton, costs £950,000. The Barn, an intriguing Frank Lloyd Wright-influenced, Tudoresque brick and timber octagonal house, with leaded windows, in Nan Clark's Lane, Mill Hill, London NW7, overlooks another superb water garden with ponds and waterfalls, and a glorious parade of shrubs and trees in five acres eight miles from central London. The price is over £2m, from *Knight Frank & Rutley* in Hadley Green.

The attraction of Waterstock House in Oxfordshire, two miles from exit 7 on the M40, is that it is in the flat and well-watered country of the River Thame. The present owners have concentrated on horses. Gardeners, here is your chance, at £875,000, from Knight Frank & Rutley, in Oxford. At £1.25m the compa*ny's Cirencester office offers* water gardens, and a formal canal, by the River Leach, in Gloucestershire, flowing through the grounds at Southrop Manor, near Lechlade. Large greenhouses, walled gardens, terraces, cedar trees, an 18th century gothic gardener's *cottage and a verandah along* the front of the house, are the attractions of Melton Lodge, near Woodbridge, Suffolk, (from Bidwells or Savills in Ipswich at £775,000).

You may find some of these houses too grand. A good, manageable family house in Swerford, a warm and unspoilt village in the northern Cotswolds, near Banbury, comes to auction on October 27. Its sheltered garden *looks splendid* now but with thoughtful replanting can easily be made better still. The Old Rectory needs work, but there is plenty of potential in both house and garden. Auctioneer/agent Lane Fox expects to obtain more than £400,000. I shall look for *serious gardeners at the auc*tion.

■ Further information from: Balfour & Cooke, Shrewsbury (0743-241181); Bidwells, Ipswich (0473-611644); Egerton (071-493-0676); Knight Frank & Rutley, Cirencester (0285-659771), Edinburgh (031-225-7105), Hadley Green (081-447 1766), Hereford (0432-273087), London (071-629-8171) and Oxford (0865-790077); *Lane Fox, Ban*bury (0295-273592); Savills, Ipswich (0473-226191), Lincoln (0522-534691) and York (0904-620731).

Gardeners' delight: The tranquil grounds at The Barn, Nan Clark's Lane, Mill Hill, London NW7

RESIDENTIAL PROPERTY – INTERNATIONAL

A hint of a smile in the Nordic markets

There is increasing foreign interest in home-buying in Sweden, Norway, Denmark and Finland. ***Christopher Brown-Humes reports***

FOR THE first time in three years, estate agents in Stockholm are starting to smile. Like those in the UK, they did well from the late 1980s when housing prices climbed 50 per cent or more, but the 1990s have proved wretched, with prices falling by at least 30 per cent and turnover slowing sharply. Now, the market once again looks at a turning point, with clear signs of a recovery over the traditionally quiet summer months.

"Things have been a lot busier since June," says Thomas Vetterli, a broker with Mats Holmgren, one of Stockholm's leading real estate companies; to make his point, he noted that he had been forced to shorten his annual holiday by two weeks to cope with the upsurge. Agents elsewhere in Sweden also point to an improvement in sentiment, although most speak of a patchy recovery and are wary of pronouncing the recession over just yet.

What goes for Sweden goes, in general terms, for the rest of the Nordic region. House prices across all the countries in the area – Sweden, Norway, Denmark and Finland – have fallen sharply during the 1990s, mainly because of recession and sky-high mortgage rates. Now they have fallen sharply, some of the accumulated pent-up demand has been unleashed; in Sweden, for example, mortgages can be had for 9.75 per cent, a 17-year low.


A typical villa in north Stockholm: the Swedish market may be at a turning point

In oil-rich Norway, which has a stronger economy and less unemployment than either Sweden or Finland, the housing market is now in a firm recovery phase. But this follows a five-year-long recession during which prices in the Oslo area fell by 40 per cent. And the market in Finland, which has the regions's most serious structural economic problems and unemployment of more than 20 per cent, remains very depressed.

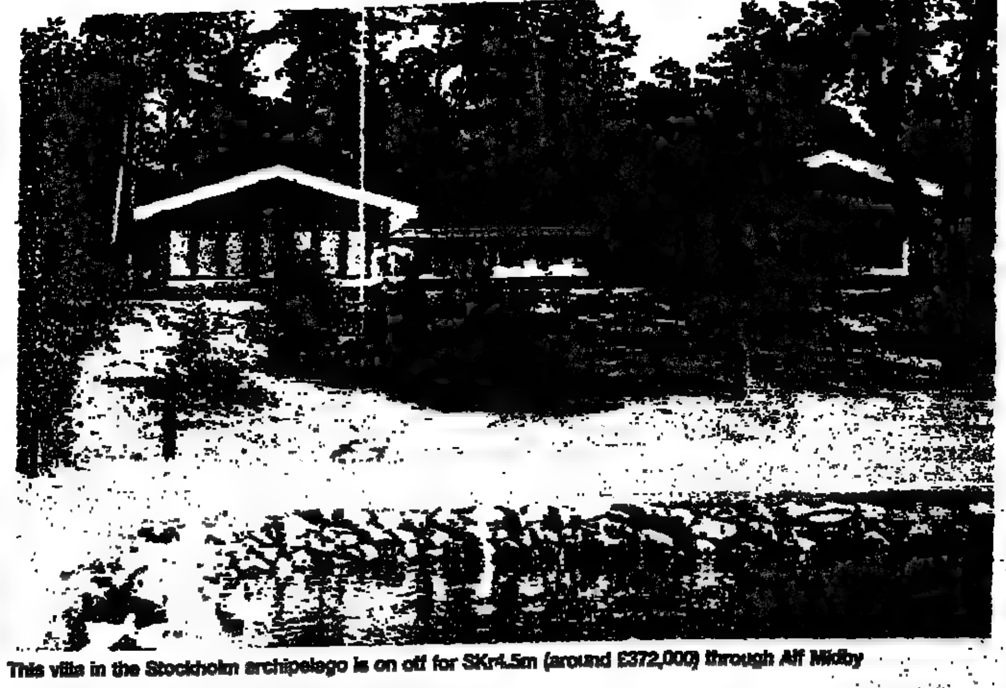
The surge in Swedish buyer interest is so new that prices have yet to move up sharply. In any case, it is apparent that purchasers are being very cautious and more selective. So far, only condominiums – flats bought in apartment blocks – are showing signs of recovery.

Even there, potential buyers are worrying about maintenance charges. One reason is that the cash-strapped government intends to scale back housing subsidies sharply over the next decade, causing a shortfall that will have to be made up by owners.

"Buyers are very concerned if there are plans to renovate the block because this leads to a higher monthly charge. It explains why people are very anxious to look into the balance sheet of the property before they buy," says Alf Midby, who owns a company specialising in more exclusive properties.

Buyers are also proving wary about villas, although this is because property taxes on houses are higher than on flats. Average prices for villas in Sweden now lie at around SKr500,000 (£41,300), although the figure in the Stockholm area is SKr884,000.

At Midby's end of the market prices have fallen by an average of 30 per cent in the past three years, but he stresses there have been wide variations depending on location and quality. A villa in the capital's smart Stocksund suburb was sold for SKr8.8m in November 1990, but the purchasers got barely half that when they sold it this summer for SKr4.5m.


This villa in the Stockholm archipelago is on off for SKr4.5m (around £372,000) through Alf Midby

Recovery in the housing market is likely to be slow, in any case, because of Sweden's overall economic condition. Although exports are rising, the domestic economy remains very depressed. Unemployment, already 13 per cent, could reach 16-18 per cent next year and private consumption is still falling.

Like Britain, there is also the problem of negative equity – those saddled with a mortgage which is higher than the value of their property. In the greater Stockholm area, an estimated 22 per cent of owners – broadly, those who bought between 1987 and 1992 – are believed to be caught in this trap. In 1991, the figure was just 2 per cent. For Sweden as a whole, the rate is 10 per cent.

Increased interest from foreign buyers is helping; indeed, Holmgren supplies a contract drawn up in English or German, something it has only started doing in the last year. To many, this is surprising because there has never been a big foreign demand for Swedish property.

The legal restrictions placed on housing sales to foreigners has been part of the cause. Then again, Stockholm has, traditionally, been one of Europe's most expensive cities, lacking the cosmopolitan charms of London or Paris. Even with the summer cottage market, the Swedish climate has proved a big deterrent.

The situation has changed over the past year for two reasons. First, many of the restrictions on foreigners buying Swedish property were abolished at the start of the year. Second, there has been a huge devaluation of the krona since Sweden floated its currency last November. Foreigners now see a chance to buy cheaply before the market recovers.

The interest is coming particularly from foreigners with Swedish relatives, businessmen and embassies. There are also rich Swedes living abroad – people who did well from the last property boom and moved abroad to avoid tax but now believe the market offers good value again.

Swedes and Finns remain sensitive over foreign purchases of their summer cottages, and it has become an issue in their talks on joining the European Community. In particular, they worry that the Germans, exploiting the strong D-mark, will snap up their cherished *stugas* – which often lie deep in the forest or on the coast – and price locals out of the market.

For the moment, this fear probably is overdone, although there are reports that sales to foreigners of summer properties in southern Sweden have risen by 42 per cent in the past year. Parts of southern Sweden are just three hours away by ferry from northern Germany.

In any case, the Swedes are keeping some restrictions. Foreigners without Swedish connections, and who cannot meet certain residence requirements, still have to get a special permit to buy a property "for recreation." In most cases, this is just a formality; but, in certain areas, applications can be refused in the interests of taming demand and stopping prices from rising beyond the reach of local people.

Where to search for that second home

IT WOULD be interesting but probably impossible to define the ideal holiday home because individual needs are so different. So how does one go about finding one's holiday ideal?

Rich sources of ideas are the international property exhibitions, held in spring and autumn and advertised in newspaper property pages.

The World of Property exhibition is now on in Manchester with more than 100 exhibitors and an expected attendance of 10,000. The French Property exhibition is another that draws about 7,000.

Many buyers choose in a resort where they have spent foreign holidays, although if they plan to use the property for later retirement, they may find the place a ghost town out of season. Other holiday homes are bought as the result of visits to friends' properties.

Spending holidays in rented properties in different resorts gives opportunities for comparison both of areas and property. The Spanish Villa Bureau (081-868-2242) has a choice of homes for renting on the Spanish mainland, Balearics and the Canary islands.

Some holiday home buyers will shop for a rural ruin. But how do they find that without unnecessary risks and no building experience?

Well, they could talk to Stanley Silver. After retiring from an export company Silver, who speaks French, went around Normandy and bought several neglected farmhouses. He had them partly renovated by local builders and put them back on the market and found there was a demand for them. Although his home is in London (071-602-2023) he has formed a company, Prince Estates, in France. Through his connections he is offered places that never reach estate agents. He buys the best and always has 20 to 25 available for selling on, priced perhaps from £7,500 to £20,000.

Purchasers can make a choice and he can arrange through the local builders to have as much or as little done as the buyer wants. He prices each job – £2,000 for a septic tank, £1,500 for rewiring, etc. If he has not improved a property himself he is there to give advice on what needs to be done.

Perhaps you would prefer Italy, but still with a guiding hand? A British couple, Patrick Beattie and his wife, Danny, bought a property in the Marche region, learning procedure as they went along.

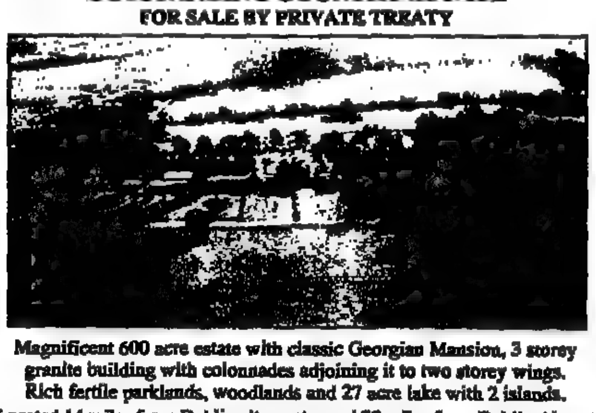
They have now settled there and turned their experience into a business, offering to help with buying and restoration. They call the company Followus. Their brochure gives clear details of their service and the sort of rural properties that might be bought. (Tel Italy 733-598917 or London 071-352-9881).

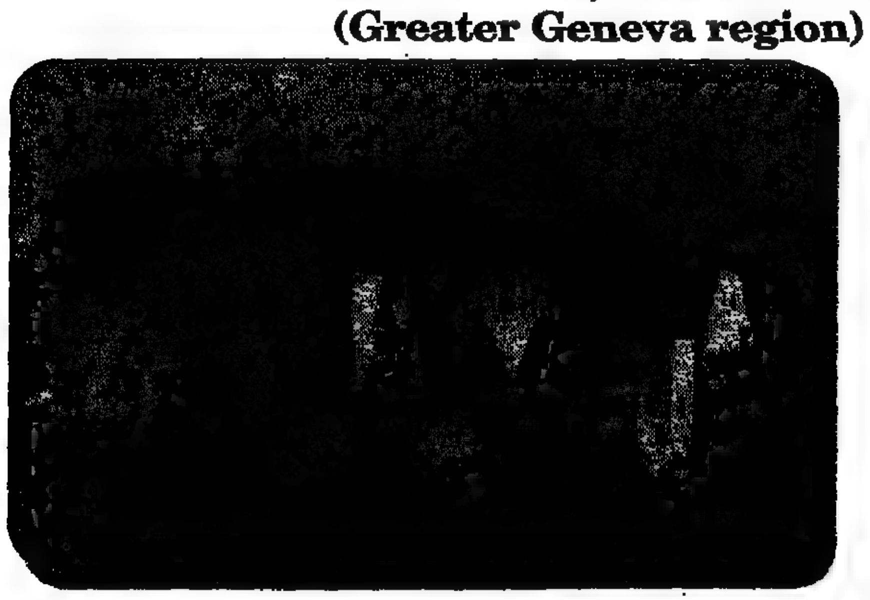
A worldwide property search service was recently introduced by Sotheby's. A client seeking a second home and with no idea where to look, can go to the agency's New Bond Street, London, office and sit at a computer.

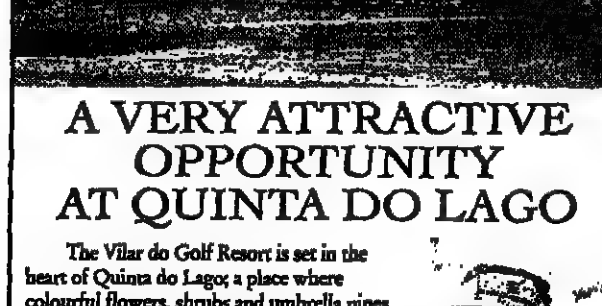
Beginning with a colour-coded map of the world on screen, he can touch the region in which he might be interested and work through to the country and area. Eventually, when several possible choices have been made, a list of properties selected is shown and brochures with complete information are produced.

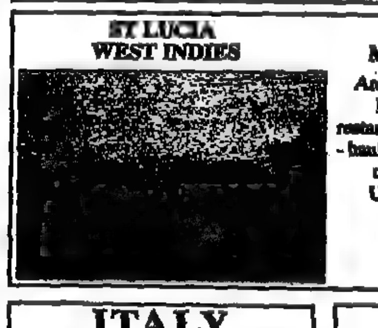
The system stores about 500 to 600 properties and is updated every month. It is available in Sotheby's offices in Geneva, Monte Carlo, Vienna, Hamburg, Athens and Milan and many offices of Sotheby's agents in the US.

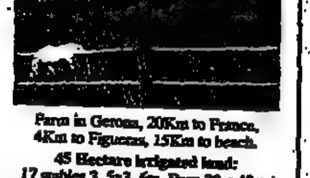
Audrey Powell











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Conserving the interests of the nation

***Gerald Cadogan** talks to the organisations working to maintain the old – and not so old – buildings that distinguish Britain*

CONSERVATION societies began when William Morris founded the Society for the Protection of Ancient Buildings (SPAB) in 1877. The aim was to defend them against unneeded restoration, a pastime dear to the Victorians – as almost every church in the UK shows. New members are still expected to read and assent to the manifesto.

Among other things, it condemns those – academics especially – who attempt to "restore" a building by fixing its origin arbitrarily at a particular point and ignore its history and life since; he calls this "a feeble and lifeless forgery."

Morris's broadside hits at the heart of the debate on how to treat old buildings. Would he approve of rebuilding Windsor Castle or Uppark, in West Sussex, both damaged severely by fire, exactly as they were? I doubt it, for that is parody. Far better – and braver – to consolidate the charred ruins and build anew.

The SPAB sets the pattern for the other national societies which exist to meet the threats of destruction and public ignorance. It campaigns to save buildings and advise on planning applications to alter or demolish them. Often, they are designated by law to do this, and get some funds from the department of national heritage.

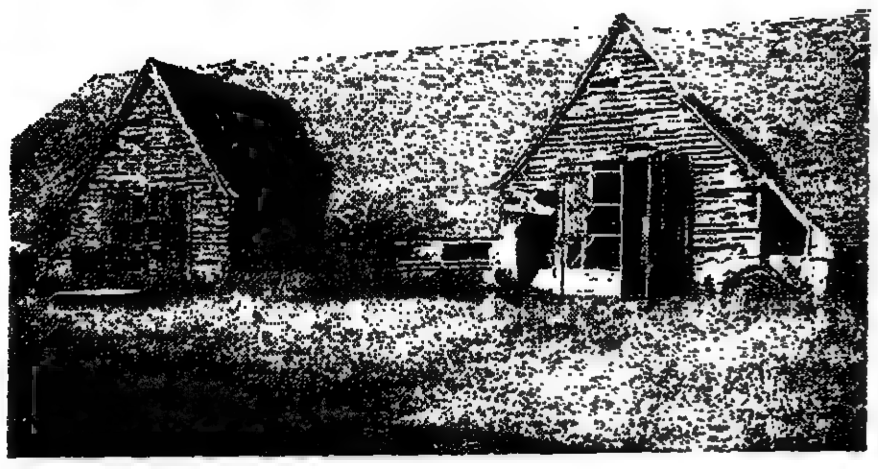
They have lectures and field trips and give parties in period dress in buildings they are defending. They also run courses and publish books and pamphlets to teach about the buildings and how to look after them sympathetically.

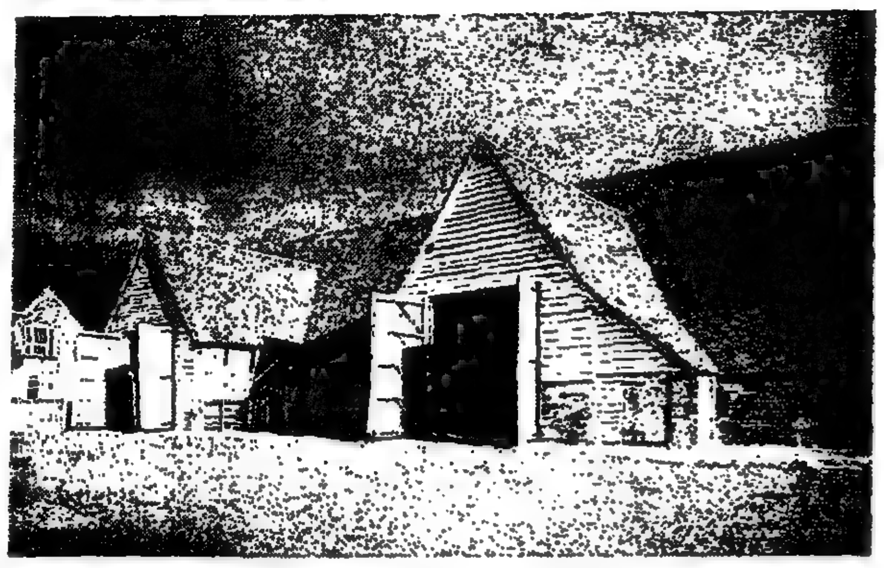
It used to be a battle, and still is sometimes; but, nowadays, government and the public are more understanding. All the same, does the government connect Conservatism and Conservation fully?

The SPAB promotes the "P" in its name by stressing regular maintenance and teaching how to repair by means of handbooks, courses and working parties. As one of the designated "amenity" societies which planning authorities consult, it concentrates on pre-Georgian buildings, but will step in for any building of quality of any period.

Full members have an unusual perk. The society sends them (quarterly) a list of houses for sale that need repair, expecting them to follow SPAB principles if they take on such buildings. In a recent issue of this useful list, which includes properties being sold by local councils, values ranged from £5,000 to £4.5m.

The Ancient Monuments Society (AMS) joined the fray in 1924 and is now another designated amenity society, seeking to look after anything man-made – from megaliths to cinemas – and resisting unsuitable changes and unjustified demolition. It handles 5,000 cases a year and its newsletter is packed with helpful information.





The conservationist touch: Leigh Court Barn near Worcester (English Heritage)

Volunteers at work cleaning walls in Audley End House

Bright Young Things started the Georgian Group in 1937 when 18th century London was vanishing; indeed, Nancy Mitford offered to chain herself naked to the railings of a terrace under threat. Now another designated amenity society, it has a young and dynamic leadership which, among other things, opposes golf courses that alter the countryside and its 18th century parks. It runs a lively programme of events in and outside London and abroad.

The Victorian Society has been a force since it began in 1958 to try to save the Euston Arch in central London - the best symbol in the country of the railway age – and the Coal Exchange.

Thanks to relentless campaigning (led, notably, by Sir John Betjeman, the late poet laureate) and now its casework as an amenity society, it has revolutionised attitudes to 19th and early 20th century buildings. Some of its events take place in the untouched late-Victorian house it administers at 18 Stafford Terrace, London W8 (open to the public), which belonged to Linley Sambourne, a cartoonist on *Punch* magazine.

The Twentieth Century Society (TCS), founded as the Thirties' Society, takes the story from 1914 to the present. Aims, methods and programme are like the others (would you care for "A Morning Walk in Wembley?") but it is not yet a statutory amenity society, although having plenty of casework.

Its message that more modern buildings need to be protected from antipathetic adaptations by listing – the *FT*'s old headquarters at Bracken House, near St Paul's cathedral, was one of the first of its era to get this accolade – is, slowly, being heard. Peter Brooke, the heritage secretary, announced recently the listing of 95 educational buildings, from post-second world war schools in Hertfordshire to the University of Sussex. The TCS does not take sides when architects and critics joust over 20th century styles; only the quality matters.

Save Britain's Heritage, four years older, is solely a campaigning organisation – and one prepared to fight the whole way, as it did (and lost) for the Mappin & Webb site in the City of London. Successes include Billingsgate fish market in London and Calke Abbey (now with the National Trust).

It does not arrange a programme and spends all contributions (not "subscriptions") on the fight. *Temples of Steam* came out recently: a gazetteer of the pumping stations, water towers, engine houses and dams that are the heritage of the water industry.

Friends of Friendless Churches shares subscriptions with the AMS. It is a small, valuable body that picks up casualties from the Church of England's re-organising of parishes, and works at being steward of Britain's huge inheritance of wonderful churches. The Friends now own several of them.

The Garden History Society (GHS) began in 1965 to promote the study of gardens and conserve historic ones. It played an important part in preparing the English Heritage (EH) register of 1,200 historic parks and gardens. Its conservation officer says councils now consult the GHS, even though there is no statutory requirement yet for them to notify it or EH of garden applications.

The smallest and youngest society (1985) is the Historic Farm Buildings Group, with a dedicated and knowledgeable membership of under 250 which campaigns for the buildings of UK farming history.

Indeed, the officers of all the societies have these qualities, and welcome new members. The societies are charities and benefit from subscriptions paid by covenant and Gift Aid.

Addresses

- Ancient Monuments Society, St Ann's Vestry Hall, 2 Church Entry, London EC4V 5HB; shares membership and offices with the Friends of Friendless Churches. Joint subscription £12 a year (concessions £8; life £200, £100 over 65).
- Garden History Society, 5 The Knoll, Hereford HR1 1RU. Subscription £15/18 abroad (junior £7.50/9).
- Georgian Group, 37 Spital Square, London E1 6DY. Subscription £20 (students £12.50, life £500).
- Historic Farm Buildings Group, c/o Roy Brigden, Museum of English Rural Life, University of Reading, Whiteknights, Reading RG6 2AG. Subscription £7.50 (£10 from January 1).
- SAVE Britain's Heritage, 68 Battersea High Street, London SW11 3HX. Annual contribution £10 minimum.
- Society for the Protection of Ancient Buildings, 37 Spital Square, London E1 6DY. Subscription £18 (under 21 and students £8, life £300, corporate rates on application).
- Twentieth Century Society, 58 Crescent Lane, London SW4 9PU. Subscription £15 (concessions £10, non-profit-making bodies £30, other corporate £75, life £450).
- Victorian Society, 1 Priory Gardens, London W4 1TT. Subscription £20 (concessions £12, non-profit-making bodies £30, other corporate £75, life £350).

COUNTRY PROPERTY

Weekend FT

SECTION II

Weekend September 25/September 26 1993

The men of violins fight for the loot

***Antony Thorncroft** and **Richard Fairman** assess the future of London's orchestras*

WHY DOES London need more symphony orchestras than New York, Paris, Amsterdam, Berlin and Vienna? It is a question that has haunted London's musical world for decades, not least at the deliberations of the Arts Council which has been forced to stretch its subsidy around the London Philharmonic, the London Symphony, the Royal Philharmonic and the Philharmonia orchestras.

The Council has tried threats, and bribes, and rumours in an effort to shift an orchestra out of London – or off its client list. It has gathered up all its nerve – and asked a High Court judge to do the deed on its behalf.

Just before Christmas Mr Justice Hoffmann will announce that the committee he is chairing has selected two of the four orchestras for Arts Council funding. One orchestra, the London Symphony, which is resident at the Barbican Centre, has already been shooed into the winners' enclosure. The other three are competing for second place. The aim is to build a generously funded super-orchestra which, with the London Symphony, will be able to match the best that Vienna or Berlin can field. The two losers will be thrown to the market place.

This is the dispiriting background against which the conductors of the orchestras picked up their batons this week at the start of the 1993-94 season, a season which threatens sudden relegation for two of them. What upsets the congenitally highly strung musicians is that the orchestras are hardly competing on a level playing field.

No one objects to the privileges of the LSO. The orchestra has picked itself up from near oblivion and made a success of its status at the Barbican. It is financially sound, with the City of London matching pound for pound the £1.2m it receives from the Arts Council. It played to audiences of almost 90 per cent capacity in the Barbican last season and can enjoy a ringside view as its rivals slug it out.

And the orchestras are rivals. The days when a second violinist might find himself, or herself, playing for the Royal Philharmonic one night and the Philharmonia the next, are over. The orchestras have developed into exclusive, self-governing, democracies jealous of their privileges and quite ready to rebel against imperious chief executives or insensitive conductors.

This is what makes the Arts Council's preferred solution to the contest less and less likely. The Council loves the idea of a merger between the London Philharmonic and the Philharmonia, or, rather, since a merger among such quarrelsome musicians is unrealistic, it would like the London Philharmonic to absorb the Philharmonia. With its enlarged grant the new orchestra could expand from 80 to 120, finding jobs for at least half the Philharmonia's musicians.

But neither orchestra favours this solution and tentative talks have foundered. A year ago the London Philharmonic took up a five year residency as the house orchestra at the South Bank. To ease its progress the Arts Council more than doubled its grant to an impressive £1.12m. this year. The London Philharmonic is the hot favourite to scoop the pool. Having booked conductors and soloists for a South Bank concert programme stretching well into 1996 it is in a strong position to sue the Council if Hoffmann decided to take away its funding. It is in no mood to compromise with the Philharmonia.

But if Judge Hoffmann is as independent as his reputation it is just possible that the London Philharmonic could be in for a shock. By an ironic twist the much sought residency at the South Bank has unleashed a string of setbacks. It suddenly lost its chief executive John Willan; its new principal conductor Franz Welser-Möst has come in for criticism and failed, through illness, to conduct the London Philharmonic at Thursday's opening Festival Hall concert; the residency has caused severe financial problems, in spite of its success in keeping audiences last season above 80 per cent. Even its appointment this week of Sir Harrison Birtwistle as its conductor in residence at the South Bank could look like an attempt to sway Hoffmann. If the London Philharmonic does not get the Arts Council's money its future is immediately threatened.

The faltering at the London Philharmonic is encouraging for the Philharmonia, which is reserve resident orchestra on the South Bank with 40 odd concerts a year against the 50-plus played by the London Philharmonic. In spite of a seasonal residency in Paris the Philharmonia would find it difficult to survive without its £710,000 subsidy, but it is financially sound for now and has few enemies in the musical world.

The fact that the Royal Philharmonic has even entered the contest reveals the changes in its approach since Paul Findlay joined as managing director from the Royal Opera House. The Royal Philharmonic has been out of favour with the Arts Council for years. Its subsidy has been reduced to £400,000 a year, a mere 7 per cent of its revenue. In retaliation the Royal Philharmonic embraced the joys of the market, playing concerts of popular classics, touring assiduously and pretending that there was life after subsidy. All that has changed under Findlay. There is less sponsorship money around; less funding for touring. He is trying to revive the Royal Philharmonic's noble tradition as the orchestra of Sir Thomas Beecham, playing British music with British musicians. The Royal Philharmonic will lose its Arts Council money but carry on regardless.

Hoffmann has been asked to ignore politics and personalities and assess the artistic potential of the orchestras. This side of the question looks like a photo-finish, but taking a snapshot of which orchestra is playing the best, has the most exciting programmes, the most prestigious conductors, is hardly a fair way to proceed.

Orchestras go up and down. The four London orchestras have snapped at each others' heels for the past 20 or 30 years. If this decision had been taken 10 years ago, few would have picked the London Symphony Orchestra as an automatic winner. The move to the Barbican had proved unpopular with audiences and musical standards were variable (the LSO was seen as the bruiser among London orchestras, always happy to play loud and fast). Now, after a series of successful festivals devoted to Britten, Stravinsky and others, it has won a reputation for being adventurous, the only British orchestra of unquestioned international status.

Two years ago the London Philharmonic could claim to be its equal – but now? How quickly the tune changes. Almost from the moment the orchestra won its residency on the South Bank it has careered downhill. The public perception that the LSO has won the initiative rankles at London Philharmonic headquarters. By parading an array of the world's top conductors in London (an expensive policy) the administration believed that they occupied the high ground, while pointing out that they have to draw 2,900 to the Royal Festival Hall against 2,000 at the Barbican.

Unfortunately, pampered modern maestros only want to tour the world with their favourite symphonies. The conductors' roster for the London Philharmonic's autumn season shows what happens when money is short and out-of-the-way music is added to the schedules. This looks like a sinking ship and there is every sign the orchestra knows it. Just this week it announced that it is taking on Birtwistle and Roger Norrington – two highly-regarded musicians who can hoist the flag for innovation – to bolster its case.

Nothing symbolises more potently the London Philharmonic's malaise than the failure to sell its Music Director, Franz Welser-Möst, as the dashing young counterpart to Simon Rattle. It did nothing for the orchestra's image when word leaked out that some of the players refer to him as "Frankly Worse-than-Most". Morale has slumped. Key players have their bags packed. The orchestra looks shipwrecked, but at least it has one lifeboat to cling to: it still plays well.

That is the problem with the Philharmonia. It is so easy to make comparisons between the London orchestras. Within months of the Philharmonia assaulting music-lovers' sensibilities with its strained strings and ear-splitting brass in Mahler's massive Eighth Symphony under Giuseppe Sinopoli at the Royal Festival Hall, the London Philharmonic and Klaus Tennstedt turned up in the same piece and gave a grand and glorious performance. No comparison at all.

Sensing which way the race was likely to go, the Philharmonia has not sat back. It has lured conductors such as James Levine and Christoph von Dohnanyi to London. It has forged a relationship with Boulez's Ensemble InterContemporain for 20th-century music. It has gone out to win a residency at the Théâtre du Châtelet in Paris, no doubt to pique the opposition back home.

To those who complain that Sinopoli's long tenure as Music Director has seen standards eroded, we now have the Philharmonia's answer. Sinopoli will not be renewing his contract when it expires in 1995. The orchestra knows who it wants to replace him, but is not expected to make an announcement before the day of judgment. (Which con-

Turn to Page XXI

CONTENTS

The Long View/Barry Riley

Troubled by bubbles

THERE'S a number to jolt every saver and every marketing manager of a retail deposit-taking institution: 1¾ per cent. It happens to be the new official discount rate set by the Bank of Japan last Tuesday, but might it also be the kind of pensioner-panicking short-term interest rate ruling in other important countries in the next year or two?

Figures this week from two of Britain's leading savings sectors show that the wind continues to blow powerfully in favour of longer-term institutions. Unit trusts pulled in a net £960m of funds in August, taking the aggregate above £6bn after eight months of 1993. But the poor old building societies lost £132m from savings accounts in August, as investors drifted away from what they see as stingy interest rates; the societies have added only £2.4bn so far this year (although this ignores another £5bn of accrued interest added to accounts).

The banks have been able to exploit the malaise of the building societies by issuing bonds and gathering medium-term wholesale deposits, while eagerly promoting fixed rate mortgages. Abbey National, the bank that dares not speak its classification, has pushed its share of the mortgage market up to 23 per cent while mighty Halifax has been squeezed down to 15 per cent where it is waiting grumpily for the wind to back into a more favourable direction.

But will that happen soon? The freespending British government is happy to swim with the tide. This week the IMF ticked the UK off for running too big a public sector deficit, but the government shrugged and announced another £3.25bn gilt-edged issue for next Wednesday.

At the beginning of 1993 it looked as though there might be problems in financing a borrowing requirement of £50bn-odd. I did not share those fears, at least for the current year, but against the fortuitous background of a global bull market in bonds it is proving even more of a doddle than I expected. Very low short-term rates in the two biggest investment markets, the US and Japan, are fundamental to keeping this bull market going. The UK's own short-term rates are still relatively high, against this background, at 6 per cent and if the building societies are under competitive pressure now they must be prepared for something even worse.

In the first half of 1993 British investment institutions, especially the life assurance companies, pumped almost £9bn into gilts, and foreigners put in nearly £7bn. For the first time in years the life companies and unit trusts are selling large volumes of income products based on investment in bonds. The shift from short-term to long-term markets is also evident on the borrowing side, where British companies are financing themselves through the stock and bond markets and shunning the banks. In the late 1980s industrial and commercial companies were increasing their indebtedness to banks at anything up to £34bn a year, but in the first half of 1993 they repaid £7bn of bank loans while obtaining £18bn of finance from other sources.

These changes should not be seen as a temporary or cyclical adjustment but as part of a permanent return to normality. There was a grotesque growth of short-term institutions in the 1970s and 1980s, when, over 20 years, building society deposits (including Abbey National) grew nearly fourfold in real terms. Historically, those must be viewed as freak conditions. This is not to say that short-term interest rates will never rise again, but in the very long run they have tended to fall within a range of 2 to 7 per cent and that should again be a reasonable expectation.

If savers are already responding vigorously to the downwards shift in short-term interest rates, the attitude of borrowers is more mixed. Big, creditworthy companies are refinancing themselves, but other kinds of debtors are not so well placed. Many are still overborrowed (the ratio of personal sector debt to income is still only slightly lower than at the peak) and business confidence remains muted.

The big danger of sharp cuts in interest rates is that financial bubbles may be created. In a recession bank credit flows initially not into productive industry and services (where there is excess capacity) but into various kinds of financial assets. This is a big concern in the US and Japan, and would be in the UK too if interest rates were to fall to 3 or 4 per cent.

At low interest rates the cost of financing speculative positions can be trivial in relation to the expected capital gains. We glimpsed the disruptive power of speculative flows in this year's mini-bubble in the gold bullion market. But that episode also taught a lesson in risk awareness, the natural restraining factor in speculative markets.

Some argue that a bubble has developed in the US Treasury bond market, and it is hard to see how all the short-term positions propping up that market can be unwound without some kind of uncomfortable hiatus. In Japan the authorities half-deflated the bubbles in real estate and the stock market but do not want to finish the job because the banking system would disappear as the bubbles finally popped.

In the UK the main risk is of a sudden resurgence in the housing market. Millions of home owners would love a re-run of past inflationary house price booms, if only to rescue themselves from the consequences of the collapse of the last one. Many lenders appear to be almost as irresponsible as ever, and too many newspapers are ever-eager to pump up a new house price bubble. I do not think it will happen, but at some stage, long before interest rates get to 1¾ per cent, the government may need to dismantle the remaining tax incentives for home owners.

That could be counted on to drive a good many more than four Tory backbenchers barmy.

■ Barry Riley has started a new column in Wednesday's Financial Times on worldwide investment themes and strategies.

MARKETS

London

A trolley-full of worries for supermarkets

By Peter Martin, financial editor

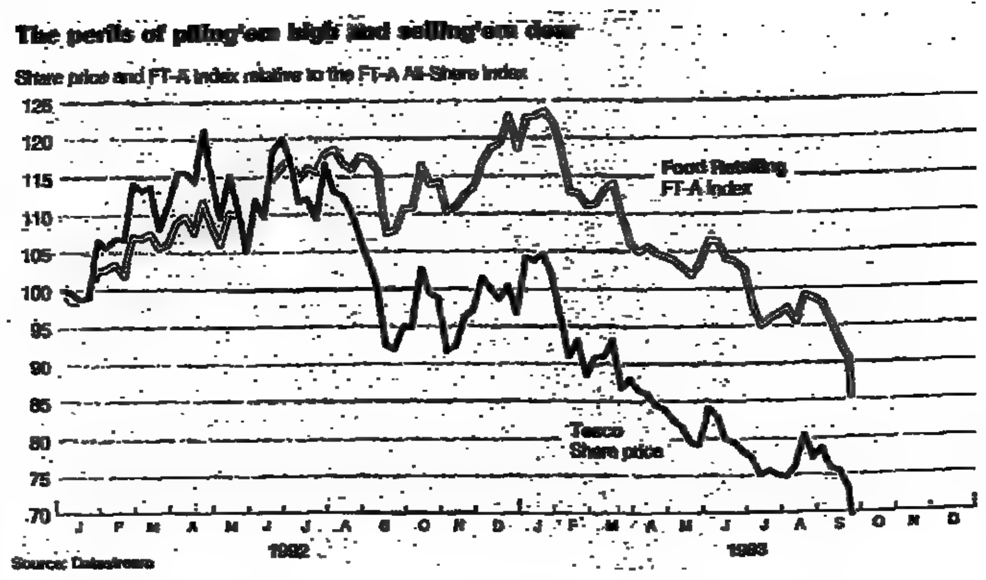
WE MAY soon learn the answer to one of the stock market's most intriguing questions: was the 1980s success of the three big UK supermarket chains the result of outstanding management or dumb luck?

Success there certainly was: the collective market capitalisation of Sainsbury, Tesco and Argyll rose from around £2bn in 1983 to over £17bn earlier this year. There was good management, too: the three chains are world leaders in developing own-brand goods, they enjoy margins that are the envy of overseas rivals, and they have transformed UK shopping. But are those margins, and that leap in market capitalisation, due solely to management skill, or did luck and British planning restrictions play a decisive role?

The question was given fresh pertinence this week by the 5 per cent drop in the shares of Tesco, the industry's number two. On Tuesday, the company announced disappointing interim profits, a rise of only 3.4 per cent though turnover rose 9.5 per cent. More important, it finally admitted that the new wave of discount stores were enough of a threat to warrant a fierce competitive response.

As the chart shows, the glamour of the supermarkets has been fading for much of the year; for Tesco it became tarnished more than 12 months ago. The scale of the market's worries can best be judged, however, by looking at Sainsbury, by any reckoning one of the great British growth companies of recent decades.

This year, Sainsbury shares have been selling at a sustained discount to the market as a whole for the first time in recent memory. Throughout the last two decades, Sainsbury has almost always sold at a price/earnings ratio well above the market average, often double it. You can now buy Sainsbury shares for 14½ times current earnings, when the figure for the market as a whole is 19¼. (Tesco's p/e ratio is 9, less than half that of the market.)



The yield figures tell a similar story. At the turn of the year, Sainsbury was selling at a yield of less than half the market average. Now, it is yielding 3.0 per cent, at a time when the market yield is 3.8 per cent, a difference of only a quarter. The gap has been closing inexorably. For Tesco, it has closed already: its shares are yielding 4.6 per cent, a fifth higher than the market as a whole.

One way of looking at the change in sentiment is to examine the real cause of the chains' remarkable profitability in the 1980s. Part of it, no doubt, was due to innovation and good logistics management. But part of it was due to the nature of the British food retailing market: a semi-cartel enforced by the planning authorities.

Planning regulations made suitable sites for huge modern supermarkets very hard to come by. Only the big groups had the expertise in coping with the regulations and – more important – the deep pockets necessary to pay the high prices that tight planning restrictions ensured for the few available sites.

The big chains raised ever larger lumps of capital to buy their way to an ever larger market share. Some of their managers, at least, put pressure on suppliers to restrict shipments to rivals who wished to compete on price. Instead, the big three chose to compete on innovation, location and ambience, a recipe for a stable and profitable industry. The two next-biggest chains, Asda and Gateway, were slipping behind in the capital spending race, so the big three could continue to achieve steady growth, even though total food sales were essentially static.

In the last few years, almost all those trends have started to move into reverse. The arrival of European discounters like Netto and Aldi raises the spectre of sustained competition on price from companies that are not likely to be intimidated by suppliers' pressure. US "warehouse clubs" such as Costco threaten to make the supermarket chains' mastery of the site acquisition irrelevant, since if classified as wholesalers rather than retailers they are not subject to such tight planning restrictions. Asda and Gateway, back from the dead, are no longer easy targets. Customers' value perceptions have been changed by the recession. And the property slump has put a question mark over the price at which supermarket sites are carried in the chains' books. In short, once an industry's luck turns, even the best-managed companies suffer the consequences.

The market as a whole managed, however, to shrug off worries about food retailing with as much aplomb as it ignored the excitements in Moscow. The FT-SE 100 index stayed healthily above 3,000, with traders taking comfort from revised economic figures that showed much stronger growth in gdp and corporate profits in the first half of the year than earlier estimates had suggested. Another statistical source of cheerfulness was the revelation, from the figures on institutional liquidity, of just how much money UK fund managers had been pumping into domestic equities and gilts. In the first half of the year, UK institutions made £24bn in net new investment, almost half as much again as in the same period in 1992.

The consensus still seemed to be that the tone of companies' comments during the interim results season had been disappointing. The steady flow of medium-sized rights issues has continued – on Tuesday, for instance, Tarmac asked its shareholders for £215m. But for at least one big broker, James Capel, the results have been coming in slightly ahead of expectations, the first time that has happened since the recession began. And one top investment manager complained this week that the results season had been disappointing largely because it had *not* produced the drop in share prices that would have provided him with an opportunity for bargain-hunting.

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1993 High	1993 Low	
FT-SE 100 Index	3005.2	-0.3	3100.6	2737.6	Political uncertainty in Russia
FT-SE Mid 250 Index	3431.9	+6.2	3513.3	2876.3	Bargain hunting
Ashley (Laura)	87	-22	118	69	Profits warning
British Steel	119½	+6½	120½	54	BZW upgrade
Cable & Wireless	862	+29	875	669	Strong Hong Kong stock market
Guinness	422	-43	521	422	9% decline in profits
Morgan Crucible	322	+21	345	262	Figures ahead of forecasts
Morrison (Wm.)	104½	-24½	174	104	Figures below expectations
Northern Foods	250	-13	291	242	Negative analysts visit
Schroders	1270	-59	1335	467½	Analysts say shares overvalued
SmithKline Beecham A	421	+15	513	389	Herpes treatment expectation
Spring Ram	69	+7	146	44	Boardroom changes
Tesco	202	-11	273	195	Disappointing figures
Thorn EMI	921	-49	1017	809	US subsidiary worries
Travis Perkins	274	+38	277	158	Boost from figures

Serious Money

An offshore fund without charges

By Philip Coggan, personal finance editor

REGULAR Weekend FT readers will know how much we welcome any efforts to bring down the cost of financial services products for investors. So it is good to see Charles Schwab, the US discount broker, launching a service for investors in offshore funds.

The International Fund-Source service is modelled on the Mutual Fund OneSource sold by Schwab in the US. The idea is that funds are sold without any initial charge, or "front end load" as it is known in the US. Since that initial charge is often around 5-6 per cent, that can represent substantial savings.

Of course, over the long run, a good investment manager can easily overcome the effect of an initial charge. The problem is that the investor does not know in advance who the good fund managers of the next few years will be; you do know what the charges are. Investing in a no-load fund, as they are called, gives you a 5-6 per cent head start.

At the moment, however, the Schwab deal is rather restricted. For a start, some of the funds on offer – the currency funds from Guinness Flight and Rothschild Asset Management – already have no initial charge. Furthermore, there is only a restricted choice of fund managers: Guinness Flight for bonds, equities and currencies; Wright Investor Services for equities; and Rothschilds for currencies.

Furthermore, all the funds on offer are offshore; the British investor will be unable to buy, say, M&G Dividend via the no-load route. Since Schwab is promoting the service across Europe, using offshore funds avoids regulatory problems.

Still, everyone has to start somewhere. In the US, the same service offers 300 no-load funds from 25 fund management groups. And the European service does at least offer a wide range of funds, from Australasian equities to yen bonds. All the funds are recognised by the Securities and Investments Board, the UK's chief regulator.

Schwab will also send investors summarised statements of their portfolios and orders can be made through a 24 hour telephone service.

Are there any catches? Schwab makes its money by taking a fee from the fund manager, which it says is around 0.3 per cent. It adds that the manager pays the fee out of its own annual management charge, so there is no additional cost to the investor. The manager benefits because of the extra volumes of funds under management which Schwab will generate.

The service is dollar-denominated, so sterling-based investors will have a currency risk, and a conversion cost, which Schwab says will be around 0.2 to 0.3 per cent.

To benefit from the service, investors must open a Schwab dollar account and the minimum investment into any of the funds is $2,000. (Some of the funds on offer normally have much higher minimums.) There are toll-free numbers for anyone interested in details – 0800-526027 in the UK, 0130-817465 for Germany and 0590-8103 for France. US residents cannot use the service.

Schwab is not a well known name in Europe and it is hard to see this service revolutionising the market. Still, it is good to see further competition in the field and someone who was already considering investment in, say, a Guinness Flight bond fund, might find the Schwab approach worthwhile.

■ ■ ■

Those who follow our weekly table of directors' dealing in their companies' shares, might be intrigued by the new Pointon BRI Directors Dealings Unit Trust. The trust will use the pattern of transactions by directors to determine its investments.

The obvious rationale for following directors' dealings is that they must know something the rest of us do not. But this is a fine line. They are not supposed to be insider dealers, buying shares in advance of a takeover approach. There is a "close" period before the publication of results, during which directors cannot deal.

So it is more of a question of directors acting on a gut feeling, based on their general knowledge of the company, than on specific information. Nor is it wise to assume that directors' instincts are infallible.

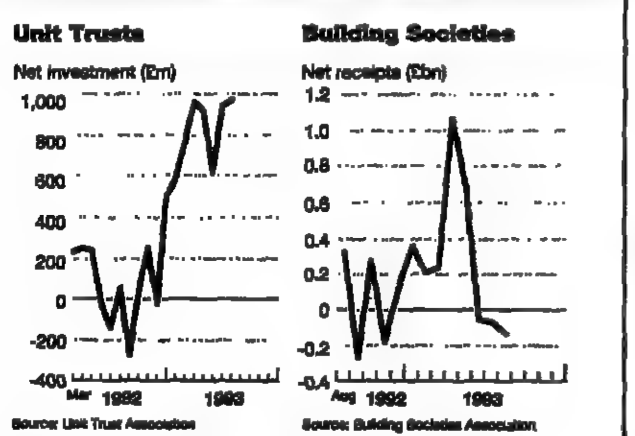
Back in 1991, after one year of publishing the directors' dealing table, I conducted an exercise to see how investors would have done if they had acted on the basis of that first table. The results were not encouraging. Investors would have done better to buy shares in companies where directors had *sold* holdings, than to buy where they had made purchases.

Nevertheless, there have been obvious cases where a pattern of directors' sales have been followed by a share price slump and similarly, if directors are consistently buying shares, that ought to give investors some confidence.

The new trust will be managed by BRI, a rival service to Directus, which produces our table. It says there will be no "blind following of directors transactions". It will assess the financial and marketing strengths of companies and look at details, such as whether more than one director has been dealing, the track record of the purchaser and the scale of the deals in relation to existing holdings.

The initial charge will be 5.5 per cent and the annual charge 1.5 per cent. The minimum investment is £1,000.

AT A GLANCE



Unit Trust sales enjoy bumper month

UNIT trust sales had another bumper month in August – the £981m of net sales making it the third best month on record. Helped by buoyant world stock markets, funds under management reached a new high of £84bn. Private investors bought a net £555m of funds, up 22 per cent on the previous month. Ironically in August 1992, which in retrospect was an ideal time to buy unit trusts, net sales to private investors were just £14.6m.

Building society outflow worsens

BUILDING societies suffered their worst outflow of funds this year, when £132m was withdrawn in August following smaller net outflows in the previous two months. There was a £61m outflow in July and a £56m outflow in June. Adrian Coles, director-general of the Building Societies Association, said the recent outflows of £249m needed to be balanced against a £2.5bn inflow in the first half. He said that people were withdrawing money to invest in equities, buy cars and fund the BT3 share offer.

On the mortgage side, net new commitments of £2.43bn were the lowest since January. Coles said: "There are growing signs that house prices have stabilised. This should help to underpin a recovery in activity over the coming months, albeit from low levels."

Fund payouts slip

INCOME Fund Analysis, which monitors the payouts of income unit trusts, has found that more than half of the funds covered paid lower distributions in the third quarter. Out of the 65 fund analysed, 34 made cuts, 10 kept payouts unchanged and 18 increased distributions (the remaining three switched to quarterly payments). Barclays Unicorn Income has managed to maintain its record of increasing its payout every year since 1981.

Abbey's new fixed mortgages

Abbey National is launching a new range of fixed rate mortgages from Monday. Existing homeowners can choose from 7.4 per cent (APR 7.8 per cent) until November 30, 1996, 7.95 per cent (APR 8.4 per cent) until November 30, 1998 or 8.99 per cent (APR 9.5 per cent) until November 28, 2003. Booking fees vary between £250 and £300 and redemption penalties vary between 90 and 300 days' interest, depending on term.

Fidelity adds seven currencies

FIDELITY has added seven currencies to its Bermuda-based range of currency funds. Now available are: Belgian francs, Danish kroner, Finnish marks, Norwegian kroner, Portuguese escudos, Singapore dollars and Swedish kroner. The funds have no initial charge and no minimum investment; the annual charge is 1 per cent.

Small company shares drop

SMALL company shares dropped slightly over the week with the Hoare Govett Index (capital gains version) falling 0.3 per cent from 1578.89 to 1573.55 over the seven days to August 23.

Wall Street

Traders enjoy a storm in a tea cup

WHEN the White House is surrounded by angry crowds denouncing the country's political leadership and urging military intervention to oust the President, and the vice-President has rushed to claim supreme state authority, it is not surprising that Wall Street panics.

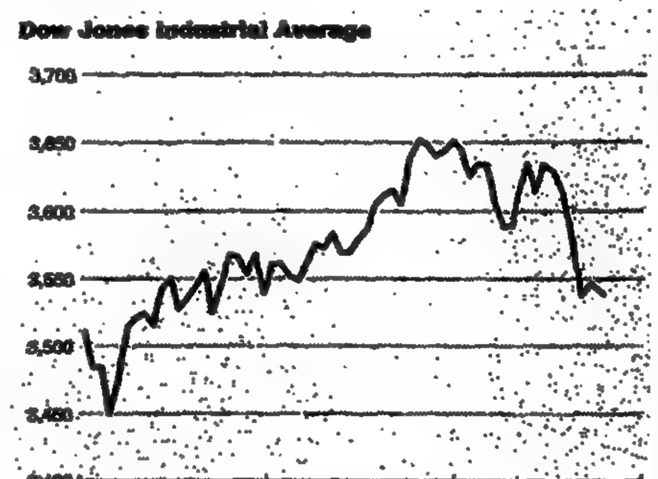
Sounds like the plot for Tom Clancy's latest book? Not so fast. This actually happened this week. On Tuesday, share prices plunged as the first reports came in of the turmoil engulfing the White House. At one point mid-afternoon, the Dow Jones Industrial Average was down almost 76 points, and the "circuit breakers" on the New York Stock Exchange were triggered in an attempt to halt the slide. Although prices eventually recovered to end the day down only 38 points, the stock markets had received a nasty jolt.

The jolt would have been much nastier, of course, if the White House at the centre of the political crisis had been the one at the end of Pennsylvania Avenue, and the president facing hostile crowds and a possible coup had been a former governor of Arkansas with a weakness for Big Macs.

But this was the other White House, the one 4,683 miles away, also known as the Russian parliament in Moscow. And it was the other president, the one with a weakness for dissolving parliaments and fighting political crises.

Wednesday's front page news told the full story: of how Boris Yeltsin shut down parliament and called new elections for December; of how opponents denounced his actions as a state-sanctioned coup d'état, and claimed political power for themselves; and of how stock market investors in the US, fearing a civil war, or the very least an end to liberalisation in Russia, started selling shares in a frenzied hurry.

There was nothing unusual in that. There is a long history of stock market panics prompted by dramatic news events from abroad: the Saudi Arabian oil embargo of October 1973; the Iraqi invasion of Kuwait in August 1990; the coup attempt against former Soviet president Mikhail Gorbachev in August 1991.



Yet, explaining why investors rush for the exits at the first word of turmoil overseas is not always easy. The Saudi oil embargo and the Kuwait invasion shocked the markets for a good reason – they feared (as it turned out, correctly in 1973) that the events would trigger a sharp rise in oil prices and a worldwide economic recession.

The attempted coup against Gorbachev was also an earth-shaker – the return of hardline communists and a revival in the cold war was a distinct possibility if the military had taken power that summer.

This week's reaction from Wall Street, however, is harder to fathom. It is not as if the events in Russia on Tuesday plunged the country from order into chaos. Russian political life has been pretty chaotic for some time, and it could be argued that Yetsin's bold move in calling for elections to a new assembly will, if it works (a big if), help restore order in Russia.

Anyone selling stocks on Tuesday, however, obviously felt that Yeltsin's gamble was not going to pay off. Yet even if Yeltsin was ousted, it is not likely that the events that followed have had much of an impact outside of Russia.

The UK broking house James Capel probably got it right this week when it rushed out a quick analysis of the crisis entitled: "The Russian Situation – A Storm in a Tea Cup?"

Capel argued that the problems in Russia were internal to that country, and that the fallout for the rest of the world would probably be limited. Assuming civil war was not going to break out as a result of Yeltsin's actions, even the bleakest scenario – the old communists take control of government via parliament and slow future economic and political reforms – should not have unduly worried US investors, said Capel. The pace and extent of Russian political and economic reform for years has been patchy at best, and markets have long since discounted this fact.

So why did the markets panic on Tuesday afternoon? The answer is quite simple. The turmoil in Russia was an excuse, not a reason, for traders and investors to sell stocks. Under cover of a "grave" world crisis, they were able to take a few of the profits they earned during this summer's strong rally.

If the Russian-inspired sell-off is added to the losses of the days before the crisis and after it, the Dow has fallen almost exactly 100 points, or 2.7 per cent, over the past week. By allowing investors to let off steam from an overheated market, Yeltsin may have done Wall Street a favour.

Patrick Harverson

Monday	3575.80 – 37.45
Tuesday	3537.24 – 38.56
Wednesday	3547.02 + 9.78
Thursday	3539.75 – 7.27
Friday	

The Bottom Line

Hays delivers the goods

THE market value of Hays, the business services group, has recently climbed through the £1bn barrier – not bad for a company which was floated with a capitalisation of £393m in late 1989, just before the UK economy moved into recession.

Investors have become very disenchanted with groups such as BET, which boasted that business services were "recession-resistant" – only for their results to collapse when the economy really did turn down.

However, Hays has substantially outperformed the market, as the chart shows. One reason is that it is among the small group of companies which provide contract distribution, through dedicated warehouses and transport fleets, to leading retailers such as Sainsbury and Marks and Spencer.

Ronnie Frost, Hays' forceful executive chairman, argues that recession can help even his group, as it forces companies to put out to contract activities which they were content to do themselves when profits were not under threat.

Frost says this happened in the UK and has also been demonstrated recently in France, where Hays last year bought Fril, a national distributor for £37.5m. He believes the same process will occur in Germany as recession bites, hence the group's acquisition in July of Mordhorst, a Kiel-based national distributor, for an initial £32m.

Not all of Hays' activities have responded so well to recession. Operating profits from the personnel business, which specialises in recruiting accountancy staff, plunged from £19m in 1990 to a mere £4.8m two years later.

News that personnel's operating profits had improved by 40 per cent to £6.7m in the year to June 30 was one factor behind the enthusiastic reception given to the group's annual results this week. Having slashed employee numbers

in personnel from 1,500 to 850 by the end of last year, Frost says 75 per cent of any increase in turnover will drop straight through to the profits line.

Analysts also admire niche businesses such as Britdoc, the group's overnight letters business, which won many new customers, including four clearing banks, during the year to June. Britdoc charges 66 per cent of the first-class letter rate, so automatically benefits from any Post Office increase.

Hays might suffer if the arrival of discount retailers in the UK leads to a price war that undermines the high profit margins enjoyed by UK food retailers, which have long been the envy of their European counterparts. The group would initially benefit from any increase in volumes caused by a price war, but would seem likely to suffer in the longer term if a less profitable environment causes retailers to re-examine their costs.

Hays has already started to seek more industrial distribution contracts, but believes that its recent acquisitions will allow it to offer pan-European distribution facilities to customers such as Seagrams, the Canadian drinks group, and Moet Hennessy, LVMH's champagne and brandy business.

Hays does have cyclical businesses within the group. The distribution of bulk chemicals has suffered from a drop in margins which will only recover when the UK climbs out of recession – a process which Frost this week warned "looks as if it will be long and slow."

Frost talks with evangelistic zeal about the group's businesses and his downbeat view of the UK recovery seemed to be aimed at forestalling previous criticism by analysts that Hays has been guilty in the past of not quite delivering on expectations it raised.

It should be said that the same analysts give Frost credit for having established a strong management team, and were impressed by his view that Hays was capable of doubling the size of its business over the next few years.

Given the company's track record, it is no surprise that Hays shares are currently trading on a 20 per cent premium to the market. That rating limits the scope for short-term advance, but the shares do not look expensive on a long-term view, given the quality of the businesses and the potential of its pan-European distribution strategy.

Andrew Bolger

Beat the rush, pick your Pep early

Philip Coggan *asks the experts to recommend the best schemes for growth, income and total return*

THE EXISTENCE of a deadline often creates the tendency to leave decisions to the last minute. So it is with Personal Equity Plans. Although there is no logical reason to wait until February and March before investing for tax free income and capital gains, Britons seem to need the spur of the end of the tax year to take action.

In 1992, September was probably the best time to invest in a Pep since those who did so caught the post-Black Wednesday rally in share prices. This year might be different, but investors should still consider investing in a Pep before the end of the tax year rush.

A couple of caveats. In the early years, the label tax-free on a Pep does not mean much. If a Pep yields 4 per cent, then a basic rate taxpayer who invests the full £6,000 will save just £48 in tax. That can be wiped out in a day's trading, so remember, a Pep is only for long term investment.

Secondly, charges can outweigh the tax benefits in the early years. Watch this carefully, therefore; for basic rate taxpayer, unit trusts, which do not normally impose any additional charges for Peps, may be the best bet.

Bethan Hutton's piece below explains the various types of Peps on offer. Since there are so many to choose from, the *Weekend FT* asked three financial advisers to pick three Peps, one for income, one for capital growth, and one for total return.

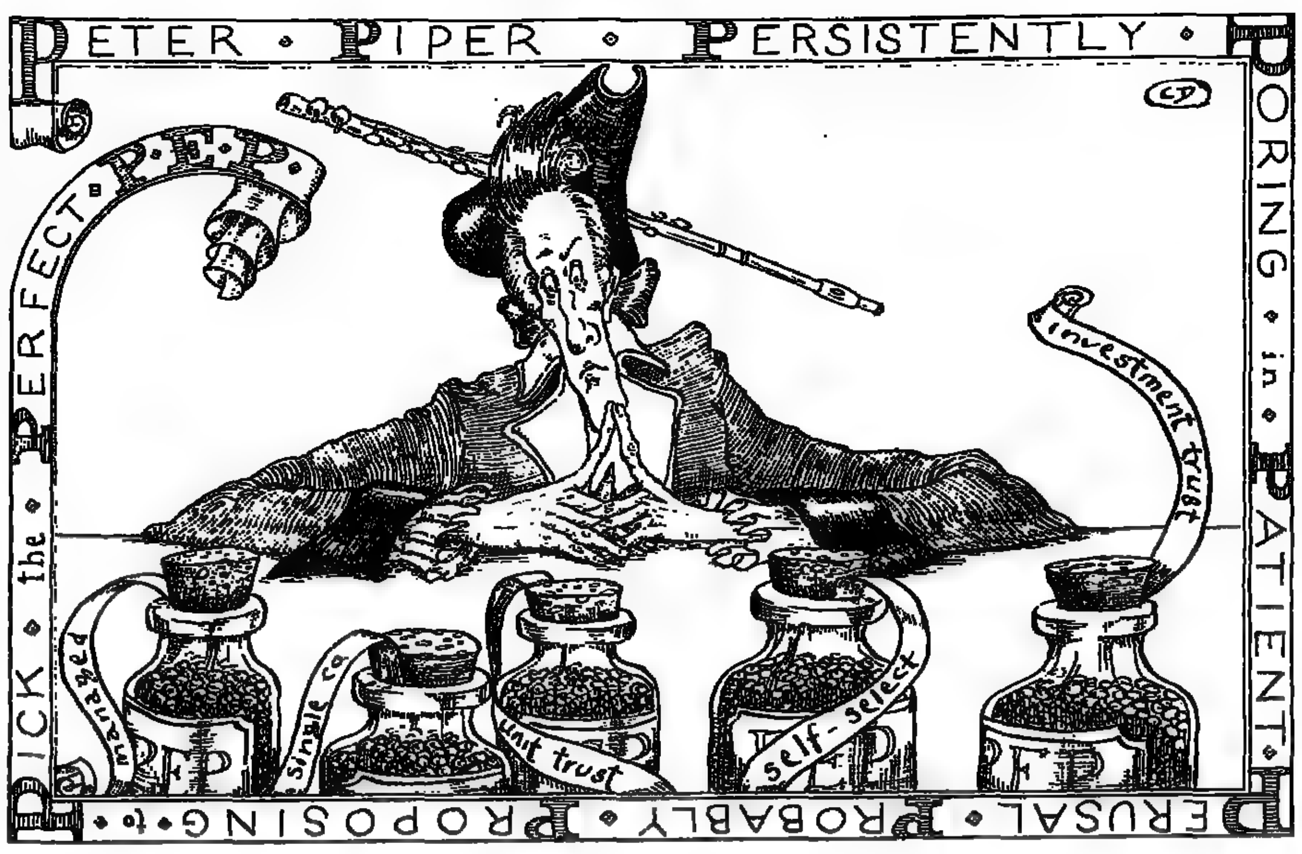
John Cole, group managing director of Berry, Birch & Noble selects the Fidelity High Income Pep for income. "We prefer to keep the income requirement in perspective and would encourage going for a reasonable yield with insuring protection of capital," he says. "We favour the Fidelity Pep after taking into account charges, yield and record. It has an estimated yield of 5.9 per cent per annum which can be paid monthly. Up to half the portfolio can be invested in fixed interest stocks to provide greater security."

"Although only launched in February, it has made an impressive start showing a total return, including income and charges, of more than 11 per cent during a six month period. The yield is not over-ambitious bearing in mind the mix of investments and should avoid *sacrificing* capital growth."

Even when investing for capital growth, Cole says there is little point in going for a fund without a reasonable yield, because the main benefit of a Pep is the income tax exemption. "We feel smaller companies offer the most attractive growth prospects at this stage but must be viewed as higher risk."

"We recommend the Amicable Smaller Enterprises Trust, an investment trust managed by Scottish Amicable Invest*ment Managers, which has an* estimated gross yield of 3.8 per cent and a discount to net asset value of 8 per cent. It aims to provide growth of capital and income through UK smaller companies, particularly the lowest 10 per cent by market capitalisation. The fund is Pepable through a self-select plan, such as that offered by brokers Allied Provincial. Although it is too early to speak of track record, the managers have a tremendous pedigree and are investing in one of our favoured sectors."

"For total return, we would recommend the Perpetual High Income fund. Its record is exceptional, with growth of 174.2 per cent since its launch



in 1989, well ahead of the sector average. It has an estimated yield of 4.27 per cent. In looking at total return, we believe the great attraction of Peps is income accumulation and this fund balances a good yield with capital growth."

Clive Scott-Hopkins, marketing director of Towry Law, says: "For income, it has to be Hypo Foreign & Colonial which, earlier this year, set up their cleverly structured High Income Plan. This invests in FT-SE 100 shares and high yielding debenture stock, with put and call option trading to give up most of the potential growth for a higher immediate return.

"The fund is a case of 'jam today rather than cream tomorrow' with a current income yield of 10 per cent, payable monthly. HF&C uses hedging techniques to guard against a severe market *fall* and we feel this fund is very suitable for the retired investor who needs an immediate boost to spendable income.

"For growth, we favour Perpetual's Growth Fund which takes full advantage of the Pep rules which allow up to 50 per cent to be invested outside the EC. Currently, nearly 20 per cent is in the US and almost 25 per cent in the Far East, including Japan. Since launch in September 1989, the fund has grown by almost 125 per cent (offer-to-offer including reinvested income) and has been a top quartile performer most of the time.

"With Perpetual's outstanding success in world markets, we believe it should continue to achieve above average results (and this fund would lend itself to monthly savings).

"For total return, we like Perpetual's Income fund, which we believe has the right balance for growth of both capital and income. The yield is 4 per cent and it is almost entirely invested in UK equities.

"Since launch in February 1988, it has achieved over 150 per cent growth (offer-to-offer including reinvested income) and is first in the income sector. With Perpetual's known skills at stock selection, we believe it should continue to achieve an above average overall return."

Graham Spinks of Murray Noble says: "Our view is that *clients would be better off* investing in a self-select Pep rather than the ready made plans, since charges can be lower (if commission is rebated) and the client has control over asset allocation."

Spinks favours self-select plans from broker Charles Stanley, with an annual 0.75 per cent charge and an initial charge of £29, or from Pilling, which has no initial or annual charge, but levies £6.75 per dividend payment.

For income Spinks says: "Half the Pep should be invested in the high yielding shares of a split capital investment trust, such as River & Mercantile or New Throgmorton, which can yield around 9 per cent. Further, we would suggest that clients use the non-qualifying element of a Pep (£1,500) by investing in an international fixed interest unit trust, such as Commercial Union's Global Bond Fund. The latter may also produce capital gains for the investor, given international reductions in interest rates. The final quarter of the Pep would be invested in high yielding utility stock, such as British Gas."

For capital growth, Spinks says: "We are keen to stress the need to have exposure to emerging markets because of the tremendous growth prospects that these areas of the world offer. These can be incorporated within the £1,500 non-qualifying limit; we would opt for a trust such as Templeton. *To balance the volatility of* emerging markets, we would recommend zero coupon preference shares of investment trusts, such as St David's. These are slightly more risky than gilts and typically yield just under 8 per cent.

"We feel that such an arrangement, perhaps with the inclusion of a smaller companies fund such as TR Smaller Companies IT, will serve investors better than the typical Pep allocation of 60 per cent UK equities. We believe the latter is unsound, given the political uncertainty and structural weakness attaching to the UK market."

For total return, Spinks again suggest incorporating a combination of emerging markets and zeros for capital growth. "The income portion of *the Pep would then be the high* yielding income shares of a split capital investment trust."

THE MANY FACES OF A TAX-EFFICIENT INVESTMENT

Peps: the options.

Every UK resident aged over 18 is allowed to invest up to £6,000 a year in a general Personal Equity Plan, and £3,000 in a single-company Pep, so a couple can invest up to a joint total of £18,000 a tax year. way. You can only start one of each type of Pep a year but you can choose different managers for the general and single company plans.

The Pep investments must be predominantly based in equities and in European community investments. This means that if you choose to invest in a collective fund, less than 50 per cent of its investments can be bonds or gilts, or in shares outside the EC. A maximum of £1,500 a year can be invested in funds, such as a Japanese unit trust, which do not qualify in this way.

General Peps:

■ Managed. These are plans operated by stockbrokers, financial advisers or fund management groups. You give them the discretion to invest in a range of shares, investment trusts and unit trusts. Performance statistics for these Peps are difficult to obtain, so often the only information you can base your choice on is their charges or the perromance of another fund by its manager.

■ Investment trust. These are usually run by investment trust management companies, and use a Pep to invest one investment trust, or several managed by the same group. You can invest through regular savings schemes. There are likely to be extra charges for Peps, so basic rate taxpayers need to work out carefully whether the charges outweigh the tax benefits.

■ Unit trust. Similar to investment trust Peps, but investing in unit trusts. Savings schemes can be used. There is usually no additional charge for a Pep on top of the up-front and management charges - so if you are going to buy a unit trust, you might as well buy it in Pep form.

■ Self-select. You make your own choice of one or several shares, but the paperwork is handled by a manager, who charges for the service. The level of charges is the main deciding factor, but some managers also offer investment advice. If you wish to transfer shares you already own into a Pep, you must sell them and buy them back again. This "bed and breakfasting" mayresult in a capital gains tax charge.

■ Corporate. These schemes are organised by a company through an outside manager to encourage employees or other investors to buy its shares. Corporate schemes have the advantage of lower costs, but they are inflexible – there is no opportunity to switch your investment if it does not perform well. *A few corporate* Peps also allow investment in some collective funds or other companies' shares on top of the main company's shares.

Single company Peps:

Particularly useful as a tax shelter for shares transferred from employee share option schemes, or for investors who have already used up their general Pep limit for the year. Only one company's shares can be held at any time, but it is possible to switch between companies. Single company Peps cannot be used to buy unit or investment trusts.

Bethan Hutton

FINANCE AND THE FAMILY

More variety in Bes offers

The tide of university schemes has abated. But others are available, writes ***Scheherazade Daneshkhu***

AS university business expansion schemes draw to an end because of the requirement that BES companies buy only empty properties, the latest offerings are more varied than the steady diet of university schemes issued over the summer when student accommodation was vacant.

Sponsor Close Brothers has launched BESSA Bristol & West, a cash-backed buy-back scheme which will mainly acquire repossessed properties and let them on assured tenancies. The exit price is 120p after five years for every 100p invested, equating to an annual return of 13.8 per cent for a higher-rate taxpayer. The offer is backed with sterling certificates of deposit. After the five year period, Residential Property Reversions, a private company, will buy back the properties. Minimum investment is £2,000.

Artesian Developer, from the Artesian Group, which has raised £37m in nine previous issues, aims to buy properties and some land with planning permission to make a profit from capital growth and rental yield after five years. Some properties can be let with minimal refurbishment but most will have the potential for further redevelopment.

There is no guaranteed buy-back price but there is also no upper limit on the return. Investment Advice published by the British Taxpayers Association regrets the lack of detail on mangement costs. Best BES Advice, published by the Allenbridge Group, recommends the scheme for its experienced mangement team and low costs, while BESt Investment says that given the emphasis on capital return, much depends on the uplift from planning consents.

The British Linen Bank, a subsidiary of Bank of Scotland, is sponsoring The Ettrick Premier Return Companies which aims to raise £20m to buy residential property in the UK, some from Bank of Scotland for letting under assured tenancy agreements. The contracted exit price is 120p and after four years, the properties will begin to be sold. Bank of Scotland will buy back any remaining at the end of five years. Johnson Fry is manager of the properties and company administrator. The minimum investment is £1,000.

Best BES Advice says: "This product offers a first class covenant, well constructed exit arrangements and good underlying security. The return is a little light but for those investors for whom risk minimisation is paramount, this scheme should be attractive." BESt Advice also gives the scheme a top rating but says: "A high minimum subscription and competing returns make us conclude that there are currently better overall returns available elsewhere."

Turning away from assured tenancies, the Ecological Trading Company which has been in existence since 1989 aims to expand its trade in tropical timber from a number of community forestry projects in Papua New Guinea, Soloman Islands and Latin America. The company says: "Community members themselves undertake the forestry operations and receive a far greater proportion of the benefits of these activities than would otherwise be the case. The ETC works closely with ... organisations involved in community development and environmental protection to assist in the development of this type of small scale of small scale forestry operation." The minimum investment is £500.

Matrix Securities has launched an enterprise zone trust to buy South Quay in London's Docklands for £95m. The idea is that investors receive an initial cash profit and 80 per cent of any occupational rents or sales proceeds to a third party. The minimum subscription is £25,000. Analysts' comments will be covered next week.

Tax watchdog

FOR THOSE with a gripe about their tax affairs, the Inland Revenue has an answer: its adjudicator.

A new leaflet describes the role of Elizabeth Filkin, the Revenue Adjudicator and former consumer advocate, whose appointment was announced earlier this year.

The idea behind the Revenue adjudicator was to provide an independent channel for complaint by those who feel aggrieved at the way they have been handled by the Revenue or its Valuation Office Agency.

It does not deal with disputes over the amount of tax to be paid. It does not remove the right of taxpayers to use other methods of complaint. But it does provide a new channel for arbitration.

Examples of concerns it will handle include excessive delays, errors, discourtesy and the way the Revenue has exercised its discretion in tax negotiations.

Taxpayers should initially give the Revenue the chance to settle a complaint itself by contacting the person in charge of the office or unit concerned. Failing that, the next approach should be to the Controller of that unit. The names and addresses of these are given in the leaflet.

The adjudicator's service is free. The office will only consider complaints arising after April 5 this year. It will normally not handle issues sent to it more than six months after a response from the Controller to the taxpayer.

Complaints can be made by phone, but the adjudicator prefers them in writing. The office can take calls to help those wondering what to include in a letter.

Taxpayers should provide the name of the Revenue office involved, and ideally their tax reference and National Insurance number. They should give details of costs incurred as a result of the Revenue's action, and say how they want to settle complaints.

■ *Revenue Adjudicator's Office, 3rd Floor, Haymarket House, 28 Haymarket, London SW1Y 4SP. 071-930 2292.*

Andrew Jack

The Week Ahead

ON TUESDAY, Sears, the retail group, is expected to announce to interim profits of about £30m, after exceptional costs relating to the closure of ter Meulen Post, the Dutch mail order business. That compares with losses of £8.8m, though that included an exceptional charge of £32.5m. Analysts are looking for a strong recovery from British Shoe, but the performance of the rest of the group is expected to be patchy.

Dorling Kindersley, the publisher of reference books floated last October, is expected to report annual profits of about £9.5m on Tuesday. Analysts downgraded to that level in March, when the group warned of tougher competition for children's books in the US.

Redland, the construction materials group, reports its interim results on Thursday and is expected to lift pre-tax profits to about the £100m mark, against £88.5m last time.

Forte, the hotels and restaurants group, also reports interim profits on Thursday, with expectations of pre-tax profits of between £42m and £45m. News of the progress of the London hotels will be closely noted.

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
Prices in pence unless otherwise indicated					
Assoc Fisheries	199§§	159	124	8.73‡	Linton Park
Man Ship Canal	£33½*	£29¾	£21½	£26.80 †	Peel Hldgs
P-E Intl.	71	72	65	15.53	Cray Elect
Watts Blake	420*§	425	391	87.33	Sibelco

*All cash offer ††Value of bid based on 30% stake. §For capital not already held. ‡ Unconditional. **Based on 2.30 pm prices 24/9/93. §§Shares and cash. ΦValue of bid based on remaining 20% of shares. [illegible] ‡ Figures all quoted in Irish currency.

RESULTS DUE

Company	Sector	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS					
Adwest Group	Eng	Wednesday	1.25	6.75	2.0
Allied London Properties	Prop	Tuesday	1.07	2.45	1.07
Bailey (C H)	Eng	Thursday	-	-	-
Baillie Gifford Japan	InTr	Tuesday	-	-	-
Betacom	Elec	Thursday	-	-	-
Cornwall Parker	Misc	Monday	1.7	4.0	1.7
Dorling Kindersley	Med	Tuesday	-	-	1.1
EFM Dragon	InTr	Wednesday	-	0.06	-
Eleco Holdings	Cstn	Thursday	2.3	1.0	-
Enterprise Computer Holding	Elec	Monday	1.0	-	-
GT Japan Investment Trust	InTr	Monday	0.4	0.75	0.4
Hidong Estate	n/a	Thursday	-	-	-
Lincat Group	Misc	Wednesday	1.6	3.2	2.0
Lyles (S)	Text	Monday	1.65	3.55	1.55
Minorco	n/a	Tuesday	-	-	-
Norex	Tran	Friday	-	2.0	-
Ossyle Manro Holdings	n/a	Wednesday	-	-	-
Redland	BdMa	Thursday	8.25	16.75	-
Regent Inns	B&D	Wednesday	-	-	-
Thompson (Lloyd)	InSr	Tuesday	1.65	3.65	2.0
Thorpe (FW)	Elec	Thursday	0.8	1.7	0.8
Usher (Frank)	Text	Wednesday	2.0	3.0	2.5
Zambia Copper Inv	n/a	Tuesday	-	-	-
INTERIM DIVIDENDS					
Acorn Computer Group	Elec	Wednesday	-	-	-
Arcon International Res.	n/a	Wednesday	-	-	-
Ash & Lacy	M&MF	Friday	2.5	3.9	-
Atlas Converting Equipment	Eng	Thursday	7.0	15.0	-
Baltic	OtFn	Tuesday	0.5	0.5	-
Bedford (William)	n/a	Wednesday	-	-	-
Boosey & Hawkes	H&L	Tuesday	6.0	16.0	-
Cambridge Isotope	n/a	Thursday	-	-	-
Camellia	OtFn	Thursday	-	-	-
Capital Industries	PP&P	Wednesday	1.6	2.4	-
Carlisle Group	OtFn	Friday	-	-	-
Central Independent TV	Med	Wednesday	10.0	28.0	-
Clarkson (Horace)	Tran	Friday	0.5	1.0	-
Costain Group	C&C	Wednesday	-	-	-
Dencora	Prop	Wednesday	-	3.0	-
Fitch	Med	Wednesday	-	-	-
Forte	H&L	Thursday	2.75	4.75	-
French Connection	Strs	Wednesday	-	-	-
Greenacre Group	H&H	Monday	0.13	0.15	-
Hammerson Property Inv. & Dev	Prop	Monday	3.5	6.5	-
Helical Bar	Prop	Thursday	2.4	-	-
Hodder Headline	Med	Wednesday	1.5	3.0	-
Hogg Group	InBr	Wednesday	3.15	5.0	-
HTV Group	Med	Monday	-	-	-
Hardaigh Technology	H&H	Thursday	4.0	6.0	-
Ibstock Johnsen	BdMa	Monday	0.5	0.5	-
Ipeco Holdings	Eng	Wednesday	1.3	2.3	-
Jacks (William)	Mot	Tuesday	-	0	-
Linread	M&MF	Monday	1.5	2.25	-
London & Manchester	InLf	Tuesday	4.65	9.6	-
Metalrax	Eng	Monday	1.0	3.0	1
Radiotrust	InTr	Tuesday	-	-	-
Redland	BdMa	Thursday	8.25	16.75	-
Richards Group	M&MF	Wednesday	-	-	-
Rutland Trust	OtFn	Thursday	0.27	0.53	-
S & U	OtFn	Tuesday	2.4	7.8	-
Schroder Split Fund	InTr	Tuesday	-	-	-
Sears	Strs	Tuesday	1.0	2.5	-
Sherwood Group	Text	Thursday	0.9	1.7	-
Stena Group	Med	Thursday	-	-	-
Stylo	Strs	Tuesday	-	3.0	-
Sykes-Pickavant Group	Eng	Thursday	2.25	1.75	-
Tanjong	H&L	Friday	0.41	1.02	-
Ticketing Group	H&L	Monday	-	-	-
TR High Income Trust	InTr	Wednesday	0.2	1.4	-
T & S Stores	Strs	Monday	2.4	3.5	-
Unidare	Elec	Monday	-	-	-
UK Safety	Misc	Tuesday	1.0	3.0	-
Walker (Brent)	H&L	Monday	-	-	-
Walker (J O)	n/a	Thursday	-	-	-
Waterhouse Group	BdMa	Thursday	-	-	-
Watts Blake Bearne & Co	Oth	Tuesday	2.7	6.0	-
Welpac	BsSr	Thursday	-	-	-
World of Leather	Strs	Wednesday	-	-	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. ‡ = 1st quarter figures. † = Figures quoted in US cents.
Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results.

PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Alumasc	Misc	Jun	7,550	(7,200)	33.8	(31.3)	11.75	(11.0)
Barratt Development	C&C	Jun	20,400	(11,300)	9.3	(7.8)	4.0	(2.8)
Birkdale	Med	Mar	1,940 L	(202)	-	(-)	-	(-)
Bryant Group	C&C	May	18,300	(20,300)	4.9	(5.5)	4.8	(4.8)
Close Brothers	MrBk	-	17,800	(12,600)	27.5	(22.5)	11.0	(9.8)
Community Hospitals	H&H	Jun	6,060	(5,750)	14.3	(16.0)	6.9	(6.8)
Frogmore Estates	Prop	Jun	10,700	(9,690)	21.8	(17.4)	16.0	(15.0)
Green (Ernest)	C&C	Jun	773	(584)	6.6	(6.0)	7.0	(7.0)
Harmony Leisure	H&L	Mar	2,130	(3,680)	-	(-)	-	(-)
Intereurope Tech.	Med	Jun	1,160	(1,230)	13.61	(15.03)	7.6	(7.4)
MAI	OtFn	Jun	80,200	(71,200)	16.8	(13.7)	8.9	(8.0)
Mucklow (A & J)	Prop	Jun	9,870	(10,900)	6.42	(7.72)	6.165	(5.925)
Murray Ventures	InTr	Jul	3,990	(4,270)	12.4	(12.2)	10.9	(10.3)
PizzaExpress	Misc	Jun	1,420	(119)	4.7	(1.8)	0.5	(-)
Rexmore	BdMa	-	4,220 L	(2,850 L)	-	(-)	-	(-)
Ricardo	Misc	Jun	2,670	(2,040)	4.2	(3.6)	5.7	(5.7)
Southern Newspapers	Med	Jul	7,510	(7,000)	22.73	(17.78)	11.8	(11.25)
SWP Group	BdMt	Jun	170	(30)	0.5	(0.1)	0.2	(-)
Trafford Park Estates	Prop	Jun	4,120	(3,270)	4.34	(3.80)	2.8	(2.575)
Welsh Industrial Inv	InTr	Apr†	155	(139)	5.13	(7.59)	4.0	(4.7)

INTERIM STATEMENTS

Company	Sector	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Anglia TV	Med	Jun	2,120	(5,180)	2.86	(2.86)
Antofagasta	MinF	Jun	20,800	(8,900)	6.0	(6.0)
Appleyard	Mot	Jun	2,810	(283)	2.6	(2.6)
Arcolectric	Elec	Jun	121	(378)	0.55	(0.55)
Asda Property	Prop	Jun	2,470	(1,530)	0.7	(0.65)
Ashley (Laura)	Strs	Jul	1,310	(1,680)	-	(-)
Bemrose Corp	PP&P	Jul	2,550	(1,850)	4.3	(3.93)
Bilston & Battersea	Misc	Jun	185 L	(88 L)	-	(-)
Bodycote Group	Eng	Jun	6,520	(6,400)	2.0	(1.875)
Brake Brothers	FdR	Jun	7,140	(7,120)	2.0	(1.85)
Britannia Build.Soc.	n/a	Jun	28,600	(16,800)	-	(-)
Brixton Estates	Prop	Jun	13,000	(12,600)	2.825	(2.75)
BSG International	n/a	Jun	8,530	(8,570)	0.7	(0.7)
Canning (W)	Chem	Jun	1,630	(3,020)	2.84	(2.84)
Cannon Street Invs	Cngl	Jul	4,830‡	(30,000‡L)	-	(-)
CI Group	M&MF	Jul	905	(880)	0.4	(0.825)
Cornac Group	BsSr	Jun	60	(44)	-	(-)
Crestacare	n/a	Jun	1,380	(80)	0.25	(0.10)
Dagenham Motors	Mtrs	Jun	1,130	(1,300)	1.75	(1.75)
Dinkie Heel	Misc	Jun	309	(110)	0.5	(0.35)
Dolphin Packaging	PP&P	Jun	1,130	(700)	1.7	(1.7)
Donelon Tyson	C&C	Jun	439	(1,020)	-	(-)
Edinburgh Fund Mngrs	OtFn	Jul	3,720	(1,840)	6.0	(5.0)
Elswick	PP&P	Jul	2,040	(1,720)	0.15	(0.15)
Erith	BdMt	Jun	583	(229 L)	0.35	(0.35)
Fired Earth Tiles	Strs	Jul	94 L	(8)	-	(-)
Geest	FdR	Jul	3,580	(15,400)	3.7	(3.7)
Global Group	Misc	Jun	676	(658)	0.2	(0.2)
Golden Vale	n/a	Jun§	9,140	(7,750)	0.6	(0.5)
Guinness	B&D	Jun	320,000	(363,000)	3.82	(3.35)
Halifax Building Soc	n/a	Jul	411,000	(318,000)	-	(-)
Hampdeon	Strs	Jun	198 L	(202)	-	(-)
Hay (Norman)	Eng	Jun	677 L	(893 L)	-	(-)
Henderson Highland	InTr	Aug	1,050	(934)	2.8	(2.8)
Herring Baker Harris	Prop	Jul	1,080 L	(1,830)	0.5	(3.25)
Hornby	Misc	Jun	791 L	(158)	-	(-)
Inchcape	BsSr	Jun	130,400	(117,300§§)	5.8	(5.4)
Jenners Princes St	n/a	Jul	928	(437)	32.0	(25.0)
Laser-Scan Holdings	Misc	Jun	45	(408 L)	-	(-)
Lusty (John)	FdR	Jul	152	(847)	-	(-)
Macallan-Glenlivet	B&D	Jun	2,180	(2,840)	0.38	(0.3)
Mayborn	H&H	Jun	1,900	(1,880)	1.6	(1.6)
Meggitt	Eng	Jun	10,800	(11,700)	1.3	(1.25)
Mid-States	Mtrs	Jun	2,610	(1,920)	0.75	(0.75)
Molins	Eng	JunΦ	9,100	(8,500)	4.9	(4.5)
More O'Ferrall	Med	Jun	2,080	(935)	3.2	(3.2)
Morgan Crucible	Oth	Jun	32,500	(40,800)	5.75	(5.75)
Morrison (W M)	FdR	Jul	38,200	(35,200)	0.2	(0.18)
MTL Instruments	Elec	Jun	2,100	(3,250)	1.7	(1.5)
New City & Comm Inv	InTr	Jul†	111.6	(-)	1.3	(-)
Next	Strs	Jul	23,000	(8,300)	1.5	(0.5)
Norish	n/a	Jun§	1,110	(1,010)	1.47	(1.47)
North Atlantic Inv	InTr	Jul†	479.6	(412.0)	-	(-)
Parambe	OtFn	Jun	40	(69)	0.55	(0.55)
Pittards	Misc	Jun	310 L	(1,270)	-	(-)
Proudfoot	BsSr	Jun	5,800	(13,200)	2.0	(8.0)
Quality Software Pr.	Elec	Jun	143	(227)	-	(-)
Refuge Assurance	InLf	Jun§	18,800	(17,900)	10.35	(9.6)
Secure Trust	OtFn	Jun	3,710	(3,440)	4.6	(4.0)
Sentry Farming	FdMa	Jun	309 L	(286 L)	-	(-)
Spirax-Sarco	Eng	Jun	11,400	(10,500)	3.0	(2.7)
Spring Ram	BdMa	Jul	36,400 L	(8,200)	-	(-)
Tarmac	BdMa	Jun	2,500	(15,100 L)	3.0	(3.0)
Tesco	FdR	Aug	281,500	(252,800)	2.45	(2.25)
Tibbett & Britten	Tran	Jun	11,400	(8,700)	4.5	(3.7)
Tilbury Douglas	C&C	Jun	12,800	(6,980)	10.5	(10.5)
Travis Perkins	BdMt	Jun	9,310	(5,180)	2.5	(2.5)
TT Group	Cong	Jun	9,420	(7,470)	2.6	(2.4)
Unichem	H&H	Jun	18,000	(12,500)	2.2	(1.9)
United Energy	O&G	Jun	40	(52 L)	-	(-)
United Newspapers	Med	Jun	51,300	(46,500)	7.5	(7.5)
Vivat	Text	Jun	1,840	(1,200)	-	(-)
Wembley	H&L	Jun	2,890	(1,060)	-	(-)
Wolstenholme Rink	Chem	Jun	2,020	(1,650)	6.6	(6.5)
Wood (Arthur)	Misc	Jun	16	(43 L)	-	(-)
Yule Catto	Chem	Jun	9,260	(10,200)	2.6	(2.5)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L loss. † Net asset value per share. ‡ Figures for 28 weeks. ‡ Figures for 26 weeks. Φ Total operating profit. § Figures in Irish pounds & pence. ‡ Regular premium long term business. §§ Figure incorrectly shown as a loss last Saturday.

RIGHTS ISSUES

Appleyard is to raise £16.4m via a 3 for 10 rights issue.
Birkdale is to raise £2.78m via a 1 for 1 rights issue and a placing of 39.6m shares of 8p.
Flagstone Holdings is to raise £5.48m via a 2 for 3 at par rights issue and a placing of 500m shares of 1p.
JIB Group is to raise £19.9m via a 1-8 rights issue and 13.8m shares @ 150p
Tarmac is to raise £215m via a 1-4 rights issue priced @ 120p
Wates is to raise £24m via a 2-7 rights issue and a placing of 34.3m shares @ 72p
Yule Catto is to raise £29.7m via 1-6 rights issue prices @ 215p

OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Allen is raising £5m via a placing and open offer of 4.44m shares @ 119p.
Caverdale is to raise £3.2m via a placing and open offer of 27.22m shares @ 12½p.

Unit trusts/St James Place

Small team, broad themes

***Philip Coggan** finds long-term thinking and a record to match*

THE investment team of St James Place unit trust group consists of three men – *Nils Taube, John Hodson* and Cato Stonex – working from a tiny office in an elegant Palladian building in the West End.

Sitting at desks, strategically placed within prospectus-throwing distance of each other, the three men spend the day swapping ideas and looking for investment themes, from which they hope their funds can profit.

As well as the St James's Place range of unit trusts, the trio runs pension and life funds for J Rothschild Assurance, the life assurance company recently established by Sir Mark Weinberg and Lord Rothschild.

Nils Taube is definitely the guiding spirit of the team. He has been a director of George Soros's Quantum fund for 15 years, and has been linked with Lord Rothschild since 1983. He has been managing the St James's Place International fund (which has had various names) since 1971.

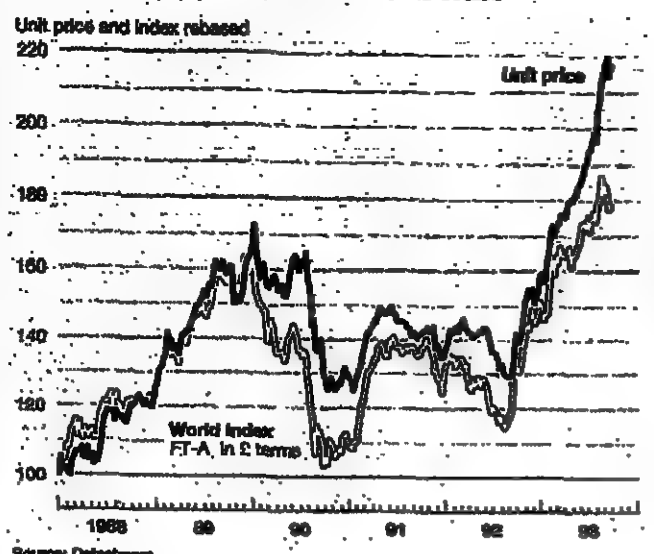
Taube's long-term record commands respect. The International trust ranked first out of 43 funds in the international equity growth sector over the 10 years to September 1, with growth of 459.4 per cent (offer-to-bid with income reinvested: source Micropal). It also achieved first quartile performance over the one, three and five year periods, with growth of 62.6, 63.7 and 99 per cent respectively.

The trust follows a stock-picking style and he says the geographical allocation of assets stems from stock selection, rather than the other way round.

The current split of funds under management is (all figures percentages) UK (16.9 per cent), US (22.5), Canada (3.8), Australia (2.4), South Africa (0.2), France (0.9), Germany (9.7), Sweden (1.1), Switzerland (4), Italy (14.4), Czechoslovakia (1.1), Japan (12.6) and Argentina (1.6). The remainder of the trust, just under 9 per cent, is invested in cash and bonds.

Taube adds that he sees currency and stock selections as entirely separate. "Probably what makes us different from the others," he says, "is that we are not in the least bit afraid of hedging currency risk if we want to. Although only 16 per cent of our assets are in UK equities, 46 per cent are in sterling."

St James's Place International Unit Trust



Source: Datastream

The investment team looks for undervalued stocks round the world and is willing to be a long term holder. One stock, the US-based Pep Boys Manny Moe & Jack, has been in the fund since launch – its original cost was £32,000, while its current value is over £1.5m.

It is better still if a stock can be both cheap and fit into one of the team's themes of the moment. Like some other fund managers profiled in this series, St James's Place is enthusiastic about the prospects for the Italian telecommunications groups, SIP/STET, which at the end of January made up 6.44 per cent of the assets of the trust.

The enthusiasm for SIP/STET, although based on the shares' cheapness relative to cashflow, fits into the theme of communications, which Taube believes will be the growth sector of the decade.

Other stocks in the portfolio which fit the communications theme include News Corporation, Security Services (which owns a stake in the Cellnet mobile phone system), the Mirror Group and Nextel, a US telecommunications group.

Another portfolio theme is insurance. The company owns stakes in Royal and Sun Alliance in the UK, TIG Holdings in the US, Munich Re in Germany, Alleanza in Italy, Swiss Re in Switzerland and, in Japan, stocks such as Mitsui Marine and Sumitomo Marine.

"I like the reinsurance companies because there has been a shakeout of capacity and premiums are rising," says Taube, "whereas we like Alleanza because the Italians are behind other countries in their use of life insurance."

Cross-border plagiarism is another general theme of Taube's. A development in one market, such as the US, will often be copied in other markets. An example was the way in which supermarkets spread from the US to the UK in the 1950s.

The International fund remains relatively small, with £67m under management, although the link to J Rothschild Assurance may build up the fund over time.

The group has two other funds in the international equity sector, growth (5th over one year, 30th over three years) and North American and International (43rd over one year, but 5th over the 10 year period).

The three funds tend to own similar stocks, although with different emphases. Taube says that the growth fund has done better than the International fund over the past year because it had a large stake in SIP/STET.

■ **Charges.** The initial charge is 5 per cent and the annual charge is 1.5 per cent. The bid-offer spread is around 5.5 per cent. The minimum initial investment is £1,500. There is no savings scheme attached to the trust. Both income and accumulation units are available, although the fund is manageds for capital growth, so the yield is very small – less than 0.1 per cent.

Four steps to haven

ONE OF the taxman's best kept secrets is that, with careful planning, foreign nationals living in the UK can often avoid paying any tax at all. For such people the UK is an excellent tax haven.

It is surprising how many foreign nationals do not know this, or, if they do, fail to take action in time, particularly as the amounts of tax at stake are sometimes very large.

Consider Mr B, a Middle Eastern businessman, who came to the UK with his family in March 1980. He has £2m cash in a bank outside the UK and a London residence worth £300,000 which he acquired in 1986. He uses the deposit interest to meet his living expenses, and he also used it to fund his house purchase.

He dies in 1997, his wife having predeceased him. He leaves everything to his children, who all wish to remain in the UK.

He has had no contact with the UK Revenue. After his death, his children learn that to obtain probate they must pay inheritance tax of £860,000 *on his worldwide estate of* £2.3m. They then learn that the estate faces an income tax bill of £640,000 for 17 years' unpaid income tax.

Finally, they discover that the entire £1.5m tax bill could have been avoided if their father had taken four steps.

Most of the steps depend upon Mr B having retained his foreign domicile. One's domicile is one's permanent home. Provided appropriate action is taken, foreign nationals living in the UK can often retain their foreign domiciles for many years.

The first step Mr B should have taken is to bring capital rather than income into the UK. The capital must be "clean" capital, that is, it must not contain capital gains or income accruing while Mr B was resident in the UK. This should not have been difficult for Mr B to arrange. He could have put all his cash into one offshore bank account (the capital account) before coming to the UK, and opened a separate, initially empty, offshore account to which the interest earned on the cash would be credited. He would then draw on the capital account alone.

So long as Mr B is domiciled *outside the UK, only* income and gains brought into the UK are subject to tax, and as the capital account contains neither, money paid from it to the UK is tax free.

If Mr B exhausted the capital account and had to draw on the income account he would have become liable to income tax on the income brought into the UK. But he could have avoided the tax if, before drawing on the income account, he had restructured it by closing it down and opening suitable new accounts. This is the second step. It requires timing and planning, but it can be used to wash out the income tax liability and create a new "clean" capital account, which can be drawn on free of tax.

The third step is for Mr B to put his non-UK assets, ie his cash, into a *suitable offshore* trust. This ensures that UK inheritance tax on the cash is avoided on his death.

Under the inheritance tax regime, foreign assets are only free of inheritance tax if their owner has been resident in the UK for tax purposes for less than 17 of the last 20 tax years.

As tax years cut across calendar years, it is not uncommon for someone who has been in the UK for little more than 15 calendar years to be caught and their worldwide assets become subject to inheritance tax on their death at the rate of 40 per cent above £150,000.

Mr B could have avoided this by putting his assets into a suitable trust. before the 17-year period elapsed. So long as the trust assets are kept out of the UK, no inheritance tax is payable.

If the trustees are resident and the trust is run outside the UK, it can be used to avoid capital gains tax in the long term, and to defer income tax.

The trap foreign domiciliaries most frequently fall into is to fail to create a suitable trust until it is too late. Anyone of significant means who arrived in the UK more than 10 years ago should be considering creating such a trust.

This leaves the house. There are various ways of avoiding tax on it, but the least expensive and most satisfactory is for Mr and Mrs B to make appropriate wills.

Under conventional wills it is not possible to avoid inheritance tax on a couple's residence, but inheritance tax at current rates on the first £300,000 of the matrimonial home can be avoided. This technique, which involves the use of discretionary trusts is also available to UK domiciliaries and I will describe in a future article.

If Mr B had used these strategies the tax bill on his death would have been reduced from £1.5m to nil.

Prompt action on arrival in the UK is essential and can pay immense dividends. Even so, with careful planning it is usually possible to achieve significant tax savings provided the 17-year period has not expired.

John Liddington

■ *John Liddington is a tax planning, trusts and wills partner with London solicitors Speechly Bircham.*

Directors' Transactions

THE SALE of 20,000 shares by Gordon Bond at Arjo Wiggins Appleton, the specialty paper group, was made following the announcement of interim figures which were marginally up on the same period last year.

The sale by three directors of Jupiter Tyndall, the banking and investment management group, *of more than 1.5m* shares has been made just before the company went into its close period. The share price has been performing well over the year but the sale almost halved the holding of chairman John Duffield.

The Scottish packaging company, MacFarlane Group (Clansman) has enjoyed a good rise in its share price over the past year. Directors have been selling the whole way up; the most recent transaction, by Gordon Lane, was made at 209p.

Simon Engineering announced interim results at the beginning of September. In *spite of announcing a loss* before tax for the first six months of the year, three members of the board, including A M Davies, the new chairman, bought a total of 79,000 shares at 59p.

Colin Rogers,
the Inside Track

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

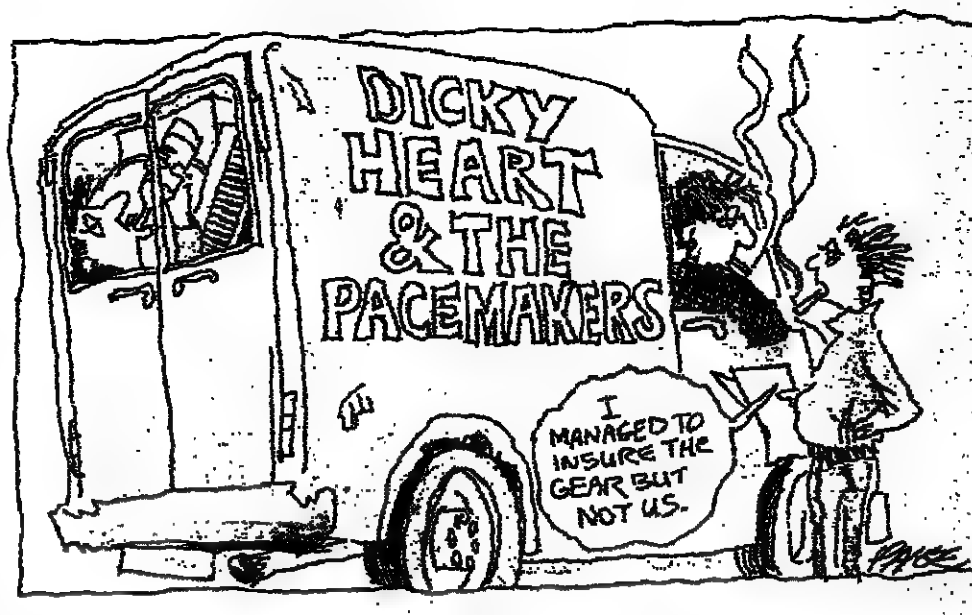
Company	Sector	Shares	Value	No of directors
SALES				
Arjo Wiggins A'tton	Pack	20,000	43	1
Beattie (James)	Stor	79,000	117	1
Birkby Group	Misc	20,000	39	2
Border TV	Med	20,000	28	1
British Land	Prop	52,831	211	3
Capital Radio	Med	21,000	44	1
Cater Allen	OthF	6,000	30	1
Conrad Ritblat Sinc	Prop	750,000	356	1
Croda International	Chem	33,000	109	1*
Dalgety	FdMa	135,858	686	1*
European Motors	Motr	70,000	96	1
Fairway	Misc	25,000	18	1
Hambro Countrywide	Prop	60,000	49	1
Henlys	Motr	35,000	84	1*
Jupiter Tyndall	FdMa	1,525,279	3,478	3
Land Securities	Prop	5,000	32	1
MacFarlane (Clans)	Pack	45,000	94	1
Meyer Int'l	BdMa	70,095	283	3*
Perkins Foods	FdMa	983,313	873	1
Prudential	Insl.	150,000	505	1*
Rea Brothers	Merc	150,000	74	1
Reed International	Med	12,758	89	1
Rolfe & Nolan	BuSe	10,000	24	1
Taunton Cider	Brew	10,000	21	1
Warner Estate	Prop	300,000	750	1
Wessex Water	Watr	6,000	39	1
PURCHASES				
Babcock Int'l	EngG	50,000	16	1
Beattie, James	Stor	17,466	27	1
Business Technology	Misc	205,000	25	2
Fairhaven Int'l	O&G	50,000	13	1
Forminster	Txtl	10,000	55	1
Forth Ports	Tran	30,000	107	2
Hall Engineering	EngG	10,000	27	1
Holmes Protection	BuSe	300,000	106	1
Molynx	Elns	600,000	120	1
Primadona	InTr	18,000	41	1
Regalian	Prop	90,000	18	1
Savills	Prop	50,000	30	1
Sheffield Insul'ns	BdMa	12,000	27	1
Simon Engineering	EngG	79,000	47	3
Specialeyes	Hlth	500,000	75	1

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 13-17 September 1993.
Source: Directus Ltd, The Inside Track, Edinburgh

FINANCE AND THE FAMILY

Rhapsody in prudence

***Bethan Hutton** on how to insure musical instruments against passing coat-tails, the roadie's beer or the casual attitude of their own players*



IF YOU knew an object was worth several thousand pounds, and was so delicate that one crack could halve its value, you would normally treat it with some respect. You would hesitate to entrust it to a teenager, bundle it into a car boot, or lug it around on public transport. But people do this all the time – a cello is designed to be played, after all, not locked away for safety's sake.

Many musical instruments are not only valuable, but fragile, yet the attitude of players can be somewhat casual. Instrument repairers point to workshops full of cracked bows, left balanced on music stands, and chipped violins, abandoned on chairs during rehearsal breaks with necks sticking out to be caught by passing coat-tails. Brass and woodwind instruments are slightly more robust, but cannot take rough handling.

A decent, student-quality musical instrument could be one of the single most valuable items a family owns; older pieces, perhaps passed down through the generations, can easily be worth five-figure sums. Household insurers are usually willing to cover musical instruments up to a certain value, for example £12,000 at Legal & General, but you will need to ensure the instrument is named on the policy, and you will pay extra for accidental damage cover, or all-risks if the instrument is ever taken outside the home. Sun Alliance charges £30 per £1,000 value for all-risks cover, for example.

If you have an instrument you do not play, but which you keep as an investment or for sentimental reasons, clumsiness or carelessness should not be such a problem, but insurers will need to know that it is kept properly. They will not cover hazards such as woodworm or deterioration caused by extremes of temperature.

However, claims handlers at general insurers may not be familiar with the peculiarities of musicians' requirements. Damage claims are more common than theft claims, and expert repairs can be very expensive. Household insurers are not used to paying large amounts for possessions to be repaired: it is often cheaper and easier to throw out a damaged video recorder and buy a new one, but few musicians would want to junk a 200-year-old instrument if it suffered one dent too many.

The wording of most home contents policies is unlikely to allow compensation for loss of value if a damaged instrument can be repaired, but will never be worth as much again. If the instrument is ever played professionally it becomes "business equipment" in the eyes of many general insurers, and is therefore excluded.

These are the kind of areas where specialist insurers may have an advantage. They are more likely to appreciate the problems of antique instruments and the need for expert repairs; also they do not draw distinctions between professional and amateur players. Premiums may be lower than for an all-risks extension to home contents insurance.

It is often cheaper to replace a damaged video recorder with a new one, but few musicians would want to junk a 200-year-old instrument if it suffered one dent too many

The biggest name in classical music insurance is British Reserve, a division of Cornhill. It has been offering insurance for orchestral instruments for three decades, and now has the largest share of the UK market. Pop and rock musicians are excluded, but jazz is a grey area – "serious" musicians are usually acceptable.

The British Reserve insurance package covers loss and damage anywhere in the world. There are 10 per cent discounts for members of the Musicians Union and various other professional bodies. If you are happy for theft from an unattended vehicle to be excluded, there is a discount of 20 per cent.

The minimum premium is £15 – the company aims to catch young musicians when they acquire their first half-size violin or clarinet and keep their custom as they metamorphose into soloists and orchestral players. Hired instruments can also be covered.

Hartley Cooper Associates, part of the Hong Kong and Shanghai Banking Corporation group, has just entered the market with a policy similar to the British Reserve one. Again, the cover is intended mainly for classical musicians, whether amateur or professional, and discounts are available for members of professional organisations. Cover can be limited to the UK, or Europe, or worldwide. The minimum premium is £50, for cover limited to the UK.

Electronic instruments present different problems to underwriters. No insurer is going to pay out if would-be rock stars start smashing up their guitars on stage. But the disruption to a sensitive synthesiser's innards caused by a carelessly placed beer can, or a rough roadie, can be covered.

The rapid pace of technical innovations means that badly damaged electric guitars or keyboards are rarely worth repairing, even if the spare parts exist – but a musician with an emotional attachment to the guitar he played on his first big tour may insist on a repair no matter what the cost.

Entertainment & Leisure specialises in rock and pop music equipment, even disc jockeys' records and microphones, but it will also cover classical instruments. Premiums depend on the type of equipment or instruments being insured, and whether the things insured are kept in one building or need to be covered for anywhere in the UK. The wider option includes an automatic 31-day western Europe extension.

As a rough guide, managing director Brian Martin quotes an annual premium of £241 for £5,000 of heavy-duty rock equipment, and £160 for classical equipment to the same value. A teenager's £500-worth of electric guitar and amplifier, kept in the home, would cost £30 to insure, or £39 if it was used in practices or performances elsewhere. E & L can also provide performers' public liability cover of up to £2m, and pays up to £2,000 for the hire of replacement equipment.

Galaxy 7 is another specialist offering insurance for musical instruments used for classical, jazz, pop and other types of music. Even karaoke equipment can be insured. The choice ranges from cover limited to a single building in the UK to worldwide, including all transit risks. The basic cost is £2 per £100 insured, with a minimum premium of £25, plus a £7.50 documentation charge. Public liability cover can be arranged as a policy extension.

Offshore Bond Funds

An attractive option

BOND INVESTORS who are non-taxpayers are likely to be attracted to offshore bond funds than onshore unit trusts as they pay income gross. Some resident UK citizens who are liable for tax may also choose to invest offshore because the tax payment can be delayed.

The table lists those sterling offshore bond funds recognised by the Securities and Investments Board – the chief regulator for the financial services industry in the UK – and which have a three-year performance record. SIB recognition should comfort investors, as should well-known industry names in the table.

10 best performing offshore bond funds

Fund	Size (£m)	Yield (%)	Perf*
Barclays Sterling	255.0	8.5	71.8
TSB Off Inv Gilt & FI	1.5	7.1	70.8
Guinness FI Acc £ HI	3.0	7.2	69.4
Hill Samuel Fix Int £	84.1	7.2	69.3
Govett GSI UK HI Inc	13.3	8.4	67.5
CMI (Lux) UK Bond	16.6	6.9	67.4
Sun Life Secure HI Inc	8.8	7.2	67.1
Lloyds Trust Gilt	491.2	7.2	66.9
Henderson Horizon Fix	10.0	7.1	64.8
TSB Gilt Fund Qly Share	214.8	7.3	64.3

Source: Hardwick Stafford Wright * Offer-to-offer with net income reinvested over three years to September 1. Funds without x year record are excluded.

Figures have been taken from Hardwick Stafford Wright and show the top 10 performing SIB-recognised funds in the sterling fixed-interest sector.

They are quoted on an offer-to-offer basis because some funds have a single price but add an initial charge. Were all funds to be quoted on an offer-to-bid price, the single-priced funds would receive an unfair advantage. The effect of quoting on an offer to offer basis is that the performance figures are inflated and the returns which would actually have been achieved by an investor will have been lower.

Charges on the funds are similar to onshore unit trusts: in the range of 5-6 per cent, although they can vary widely (see Phil Coggan's Serious Money piece on Schwab's new no-load offshore fund service on Page II). The John Govett fund, for example, carries a 5 per cent initial charge and a 1 per cent annual management fee while TSB's charges are 3 per cent initial and 0.75 per cent annual. Barclays Unicorn Sterling bond fund also has relatively low charges of 3.5 per cent initial and 0.85 per cent annual. The Henderson fund, an umbrella fund, carries a 4.5 per cent initial charge and 0.6 per cent annual fee; Sun Life's fund has a 6 per cent initial charge and a 0.6 per cent annual management fee.

Investors seeking income should not base their choice entirely on the size of the yield, since a bond fund can achieve a high yield at the expense of declining capital – a problem highlighted by TSB. "We used to pay a high distribution and became concerned that we would have to pay out capital, so we have reduced the level of income," said TSB.

John Govett's Simon Osborne says that his fund's yield is achieved by investments in foreign currency bonds. A minimum of 75 per cent of the fund must be invested in UK sterling bonds but 10 per cent is in Mexican short-term paper, currently yielding 13.5 per cent. A proportion is also invested in 10-year Italian government bonds which also have a high yield.

Barclays Unicorn's sterling bond fund, managed by BZW, the securities arm of Barclays, invests only in gilts (to a maximum of 35 per cent) and Eurosterling bonds. Anita Higgins, fund manager, says that the good yield has been achieved by investing in long-dated high-yielding corporate bonds.

Scheherazade Daneshkhu

FINANCE AND THE FAMILY

The Speculator

The all-or-nothing share

Capital shares are at the end of the queue but have most to gain says ***Philip Coggan***

CAPITAL SHARES are one class of security issued by so-called "split capital" investment trusts. They pay no income and are normally the "riskiest" class of share in the trust.

Where there is high risk, there is the chance of high reward and this is where the capital share may attract the speculator. According to S G Warburg, the average capital share rose 65 per cent between January 1 and August 20 this year, when the stock market was around its peak.

The key to understanding *capital* shares is to grasp that they are at the back of the queue when it comes to paying out a trust's assets. An assortment of other claimants – debenture holders, zero coupon preference shareholders, income shareholders – have to be paid first. Only then, if there are any assets left, do capital shareholders get *their slice. It is possible that the capital* shares will receive nothing at all.

The good news, however, is that the claims of the other shareholders are normally fixed. Once the assets of the trust have grown past a certain point, all the excess gain will accrue to the capital shareholders. In a bull market (provided the trust *managers are reasonably* competent), capital shareholders should earn very high returns.

Furthermore, profits come in the form of capital gain. Since many people do not use up their annual capital gains tax allowance (£5,800 in 1993-94), there is a good chance that a fair slice of this gain will be tax-free.

Valuing capital shares can be tricky. On the London Share Service pages of the *FT* (at the back of the first section on Saturdays), capital shares are often quoted at a very wide discount to their asset values.

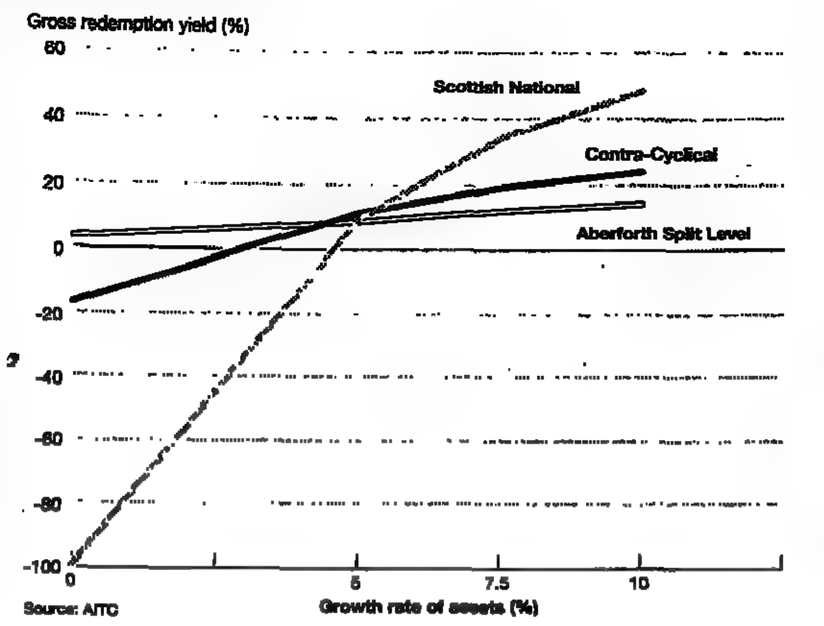
But this figure should not be compared to the discount at which conventional investment trust shares trade. As stated above, capital shareholders are only repaid after other claimants; the asset figure which appears in the *FT* is based on the *current* value of those other claims.

However, in many cases, split capital investment trusts have zero dividend preference, as well as capital, shares. *The zeros have a claim* on the assets of the trust which steadily increases over the years. A more conservative way of valuing a capital share is thus to allow for the *final*, rather than the current, claims of other shares. If one uses that method, shares which appear to be standing at a discount, can often be seen to be trading at a premium.

Investment trust analysts tend to value trust shares by looking at their gross redemption yields over the years until the trust is wound up. They do so by assuming a number of different rates of growth of the assets of the trust.

As an example, take the shares of Contracyclical Investment Trust, which on August 31 were standing at 20p. According to the Association of Investment Trust Companies, if the trust's assets grow at 10 per cent per annum until wind-up (in seven years and seven months' time), Contracyclical's shares would return a gross redemption yield of 25.3 per cent per year.

Capital shares



Source: AITC

Mouthwatering stuff. But if the assets do not grow at *all* over the remainder of the trust's life, the shares would return a gross redemption yield of *minus* 16 per cent per year. In other words, the trust currently has insufficient assets, if you allow for the final claims of other shares, to repay capital shareholders at the current share price. (This despite the fact that, on August 31, the quoted "discount" was 65 per cent).

In cases such as this, analysts talk of the "hurdle rate", the annual rate of asset growth needed to repay the current price of the capital shares. On August 31, Contracyclical's hurdle rate was 1.8 per cent, according to the AITC.

Contracyclical was not the most extreme case. On August 31, the hurdle rate for Scottish National capital shares was 4.4 per cent, ie the trust's assets needed to grow at 4.4 per cent per year to repay the then share price of 34p. But, if you took a bullish view and assumed that Scottish National could achieve 10 per cent per annum asset growth over the remaining five years, one month of its life, the yearly gross redemption yield to capital shareholders would be a staggering 49.2 per cent.

A capital share such as Scottish National offers an extremely hairy rise as the graph shows. But some capital shares have lower risk-reward profiles.

Take Aberforth Split Level. As of August 31, the trust had more than enough assets to repay the then capital share price of 166.5p. Indeed, the trust could afford to see an annual rate of asset *decline* of 3.8 per cent over its remaining 10 years, 10 months of life, and still repay the capital shareholders at the August 31 price. If the assets of Aberforth Split Level do not rise at all over the rest of its life, capital shareholders will still enjoy a 4.2 per cent gross redemption yield.

But for those who take a really bullish view of the market, the rewards are much less attractive. As of August 31, a 10 per cent annual growth in assets would earn Aberforth Split Level shareholders a gross redemption yield of only 14.8 per cent.

For those who do not fancy the mathematics involved, a simpler route might be to invest in the Exeter Capital Growth fund. This is a unit trust, run by Exeter Fund Managers, which invests in a broad portfolio of capital shares. The investor is spared the chore of stock selection, at the cost of a 6 per cent initial charge and a 1 per cent annual charge.

The Exeter Capital Growth fund was third in the UK equity growth sector over the year to September 1, with a return of 83.16 per cent (offer-to-bid with income reinvested, source Micropal). But it is, by its nature, a highly volatile trust.

If your stockbroker cannot give you access to statistics on capital shares, the Association of Investment Trust Companies will send out a free sample copy of its Monthly Information Service. Thereafter, the service is payable on an annual subscription of £28 (for monthly issues) or £15 (for quarterly issues). Write to the AITC at: Park House (6th floor), 16 Finsbury Circus, London EC2M 7JJ.

Hidden dangers in a family loan

Take care before you lend cash to loved ones writes ***Jennie Hawthorne***

IN DIFFICULT economic times, it is tempting to offer financial help to less fortunate family members. Parents in particular do not want to see their sons, daughters, or in-laws get into financial difficulties when a loan might save off bankruptcy, repossession, or more positively, start or prop up a business.

Take care however, if you are in this situation and about to make a loan to your nearest *and dearest. Lending has more* hidden perils than giving. When you make a gift by throwing your bread upon the waters, you may neither hope nor expect to see it return, although sometimes this action can have the happy consequence of reducing inheritance tax on your estate.

The first danger the lender faces is that the money may never be repaid. Whatever arrangements have been made to repay the debt may be cancelled. Even borrowers with the best intentions may find it impossible to raise the money.

Against this most obvious hazard of lending, assume the worst. Never lend so much that you put your own security in jeopardy. Take another precaution too: no matter how well disposed to each other debtor and creditor may be, put any lending arrangement in writing, and give receipts when money is received.

The receipt can be quite simple, the name of lender and borrower, the amount and purpose of the loan, (to pay off other debts; buy a house, car, stock, equipment etc) the instalment paid, and the amount now outstanding at the date of the receipt. Use a small duplicate book with numbered pages. Keep the book and hand out the duplicate receipt.

This action will save you from other dangers which sometimes beset the lender. In certain circumstances it can also prove tax efficient, giving you tax relief on any capital gains that you may make.

The second hazard which a written arrangement overcomes is the possibility of family quarrels. These may arise in the course of time about who had what and who did or did not repay what. The written arrangement will show what was lent, for what purpose, how much was repaid, and will also ease the job of an executor, even if you have (or have not) made a will.

A third hazard of lending is that the money lent may not be used as you intended. Rich philanthropists control trusts to ensure that their donations go where they want them to. There are sound *reasons for this. Take a leaf* from their book. If for example, your debtor uses your loan to buy not the equipment for which you lent the money, but, say, a share, and receives a 10 per cent dividend, that is technically your income and you are liable for income tax on it.

The fourth point to notice when making a private loan, is more uplifting. When you lend or act as guarantor for a loan to somebody who is broke, and there is no hope of ever getting repaid, your unlikely saviour could be the Inland Revenue.

Section D36 of its booklet Extra Statutory Concessions states that in certain circumstances a loss may be claimed where money lent to a person carrying on a trade, profession or vocation has become irrecoverable. Though the claim usually arises from the date of the loss, it can be made up to two years afterwards.

Lending to family or friends is, generally speaking, a private arrangement of no interest or concern to anybody else. But if any eventual difficulty arises, a written agreement does show evidence of inten*tion, even if nothing else*, and may help the lender get tax relief on any capital gains elsewhere that he or she may make.

CGT allowances for August

THE TABLE shows capital gains tax allowances for assets sold in August. Multiply the original cost of the asset by the figure shown for the month in which you bought it. Subtract the results from the proceeds of your sale; the balance will be your taxable gain or loss. Suppose that you bought shares for £6,000 in September 1985 and sold them in August 1993 for £13,000. Multiplying the original cost by the September 1985 figure of 1.481 gives a total of £8,886. Subtracting that from £13,000 gives a capital gain of £4,114, which is below the 1993-94 CGT allowance of £5,800. If you are selling shares bought before April 6 1982, you should use the March 1982 figure. The RPI in August was 141.3.

CGT INDEXATION ALLOWANCES: AUGUST

Month	1982	1983	1984	1985	1986	1987
January	-	1.710	1.627	1.549	1.468	1.413
February	-	1.703	1.620	1.537	1.463	1.407
March	1.779	1.700	1.615	1.523	1.461	1.405
April	1.744	1.676	1.594	1.491	1.447	1.388
May	1.731	1.669	1.588	1.484	1.444	1.387
June	1.726	1.665	1.584	1.481	1.445	1.387
July	1.726	1.657	1.586	1.484	1.449	1.388
August	1.725	1.649	1.571	1.480	1.444	1.384
September	1.726	1.642	1.568	1.481	1.437	1.380
October	1.718	1.636	1.558	1.478	1.435	1.373
November	1.709	1.630	1.554	1.473	1.423	1.367
December	1.713	1.626	1.555	1.471	1.418	1.368

Month	1988	1989	1990	1991	1992	1993
January	1.368	1.273	1.182	1.085	1.042	1.025
February	1.363	1.264	1.176	1.079	1.037	1.018
March	1.357	1.258	1.164	1.075	1.034	1.014
April	1.336	1.236	1.129	1.062	1.018	1.005
May	1.331	1.229	1.120	1.058	1.014	1.001
June	1.326	1.224	1.115	1.054	1.014	1.002
July	1.324	1.223	1.114	1.056	1.018	1.004
August	1.310	1.220	1.103	1.054	1.017	
September	1.304	1.212	1.093	1.050	1.014	
October	1.290	1.203	1.084	1.046	1.010	
November	1.285	1.192	1.087	1.042	1.011	
December	1.281	1.189	1.088	1.041	1.015	

Source: Inland Revenue

FINANCE AND THE FAMILY

Show pensioners real values

Eric Short urges Lautro to make pension illustrations show more meaningful figures

FROM THE beginning of November, life companies will have to show pension illustrations on two new investment return assumptions – 6 per cent and 12 per cent, instead of the present 8.5 per cent and 13 per cent.

This change corrects one defect in the present illustration basis – that the rates shown are too high. Many traditional life companies are paying less than 8.5 per cent on their unitised with-profit contracts. But Lautro has failed to remedy other defects in the illustrations, in particular to indicate the real (inflation-adjusted) value of pension benefits as well as the money value.

The general purpose of illustrating the benefits on life contracts is to provide the investor with some indication of the benefits provided. This means the calculations must be realistic and the illustration must be in a form that portrays the real value of those benefits.

Low cost endowments used to repay a mortgage are monetary contracts because they are used to repay a liability which does not increase with inflation. So it is justified for the illustration to show the benefits in money terms.

But pension contracts are real assets, because pension benefits need to rise with inflation in order for beneficiaries to use them to buy goods and services after retirement. Accordingly, illustrations should show not only the monetary value of pension benefits, but also their value in real terms. The Lautro illustration basis does not do this.

Lautro is on the right lines in its illustration basis for appropriate personal pensions (used to contract-out of Serps). The contribution, less expenses, is accumulated at two different real rates of return – 0.5 per cent and 2.5 per cent. The pension thus illustrated relates to current money values and gives a realistic picture.

There are disadvantages. First, the real rate shown is the difference between the investment return and earnings growth, whereas the general understanding of real rates of return is the difference between the investment return and price inflation.

The second disadvantage is that such a picture is not easily understood by the layman. It is more likely to be understood if the illustration showed separately the money growth in the contributions and the increase in earnings to retirement and expressed the money pension as a percentage of earnings at retirement.

However, with ordinary personal pensions, the illustration simply shows the accumulated value of the contributions, less expenses, as a cash sum, using two separate rates of investment return. The objective is to give some indication of the variation in benefits with different returns. The illustration then shows the annuity bought with that cash sum.

Thus the benefits are shown in money values at the time they will be taken; there is no requirement to show the real value. The illustration is accompanied by an inflation statement and the individual is left to do his own adjustment.

The effect is shown in the tables, which indicate that the new investment rates produce more realistic cash sums than the present rates. Indeed, even on the new rates, the benefits look adequate compared with the individual's earnings. But even if life companies wanted to adjust for inflation, they are not permitted to do so. I therefore had to make my own calculations, shown in italics.

In table A, I took the pension and discounted the value back to the present using the Lautro price inflation assumptions – the method used by following the instructions on the Inflation Statement. Using this method, the benefits are shown to be inadequate.

Second, the choice of contribution rate and type of annuity quoted is left to the individual and his adviser. Most illustrations are prepared on a level contribution basis and a level single life annuity, thereby presenting a false picture – compare table A with B and the level single life annuity with the increasing annuity plus spouse's pension.

The investor should have a realistic picture of the contributions needed to provide an adequate pension – whether he pays them or not is another matter. At least, he would know what he is doing, and not be lulled into a false sense of security.

My idea of the minimum information which should be provided is shown in table B – an increasing contribution with two types of annuity.

The adjustment for real values in B is my preferred method – showing money values of benefits at the time of retirement and comparing them with estimated earnings growth. This is what happens in real life. If Lautro's assumptions are fulfilled, these are the amounts that will be paid in money terms and as a percentage of earnings.

PERSONAL PENSION ILLUSTRATIONS: Example A.

Man aged 40, wife three years younger. Current earnings £20,000. Benefits at 65
Level contributions of £1,000. 5 per cent of current earnings.

	Investment growth rate 8.5% £	13% £	6% £	12% £
Cash fund at 65	72,900	143,000	51,000	122,000
Level pension on his life only	8,180	18,100	4,860	15,500
or Max tax free cash	18,200	35,800	12,700	30,700
plus reduced annual pension	6,140	13,500	3,500	11,600
OR Initial annual pension increasing at 5% a year with 50% widows' pension	4,620	10,800	2,350	9,330
or Max tax free cash	18,200	35,800	12,700	30,700
plus reduced annual pension	3,470	8,150	1,760	7,000
Discounted rate of the full level pension to present day				
Discount rate (Lautro assumed RPI)	*4%*	*10%*	*1.5%*	*7.5%*
Discounted pension value	*3,068*	*1,670*	*3,212*	*2,542*
As a %age of current earnings	*15.3*	*8.4*	*16.1*	*12.7*

Lautro illustrations provided by Scottish life. The further figures shown in italics were calculated by the author.

Example B

Initial annual contribution of £1,000 increasing each year in line with Lautro's average earnings growth assumptions

	Investment growth rate 8.5% £	13% £	6% £	12% £
Annual earnings growth rate	5.5%	10%	3%	9%
Cash fund at 65	121,000	326,000	68,000	263,000
Level annual pension on his life only	13,500	41,200	6,270	33,300
or Max tax free cash	30,200	81,500	17,100	65,900
and reduced annual pension	10,100	30,900	4,700	25,000
OR Initial annual pension increasing at 5% a year with 50% widow's pension	7,670	24,700	3,170	20,000
or Max tax free cash	30,200	81,500	17,100	65,900
plus reduced annual pension	*5,750*	*18,500*	*2,370*	*15,000*
Value of the initial increasing pension with widow's pension as a %age of estimated earnings at 65 (Lautro assumptions)				
Growth rate	*5.5%*	*10%*	*3%*	*9%*
Estimated earnings	*76,200*	*216,700*	*41,900*	*172,400*
Pension as a %age of estimated earnings	*10.1%*	*11.4%*	*7.6%*	*11.6%*

Lautro illustrations provided by Scottish Life. The further figures shown in italics were calculated by the author.

Can BES offset my gains?

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.

I AM embarrassed by considerable capital gains which must be realised within the next two tax years and which will exceed, by a large amount, my annual allowance. If I take gains which, when added to my taxable income, take me into the 40 per cent tax bracket, can these be offset against a Business Expansion Scheme investment, or can BES's only be used to offset tax against income as opposed to capital gains?

■ BES relief is an income tax relief, and is treated like your personal allowance, as you will see from the free pamphlet IR51 (Business Expansion Scheme) which is obtainable from your tax office. To the extent that BES relief reduced your total income below the basic-rate limit, of course, it would indirectly reduce the rate of CGT on part of your capital gains.

The BES is to be abolished at the end of this calendar year, so it could not have helped you for 1994/95 and 1995/96 in any case.

Dividends and tax allowances

I READ in a recent *Financial Times* article that the first slice of dividend income is covered by personal allowances. As there are three types of income and three rate bands it appears that allowances cannot simply be deducted from the total gross income. Can you confirm that the allowances are set against the type of income carrying the highest rate band first – excluding chargeable capital gains? Also, are capital gains used to determine whether age allowance should be reduced?

■ 1) Yes, your allowances are set primarily against your non-dividend income.

2) Capital gains do not affect your entitlement to age allowance.

The Inland Revenue did try to restrict age relief by taking capital gains into account at one time, but admitted that this was unlawful in the 1970s.

Dividends and tax credits

MY WIFE'S income, which is well up into the basic rate band, stems predominantly from UK dividends with their associated tax credit. From her income she makes covenanted payments to charities well above the small interest element in her income which has borne tax at the basic rate.

Your recent article stated that basic rate taxpayers have no further liability on dividend income "because the legislation provides that, within the basic rate band, the rate of tax applying to dividends is only 20 per cent, not 25 per cent."

Does this also mean that dividend income in these circumstances covers the requirement that covenanted charitable payments have to be paid from tax income? Or will the Revenue be entitled to recover the difference of 5 per cent through my wife's assessment? If so, it seems to me that there are implications, not publicised to my knowledge, for a great many taxpayers.

■ Unfortunately, there will be a clawback of 5 per cent, to the extent that the gross amount of the covenanted charitable annuities exceeds the gross amount of your wife's non-dividend income. This result is achieved by section 207A(1) of the Income and Corporation Taxes Act 1988 in conjunction with section 3(a).

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
INSTANT ACCESS A/cs						
Birmingham Midshires BS	First Class	0902 302090	Postal	£500	6.75%	Yly
Bristol & West BS	Balmoral	0800 100117	Postal	£10,000	7.00%	Yly
				£25,000	7.15%	Yly
				£50,000	7.25%	Yly
NOTICE A/cs and BONDS						
City & Metropolitan BS	Super 60	081 464 0814	60 Day	£10,000	7.35%	Yly
Scarborough BS	Scarb'gh Ninety 3	0723 368155	90 Day	£25,000	7.85%	Yly
Universal BS	High Income Bond	091 232 0973	1 Year	£50,000	8.35%A	Yly
Chelsea BS	Base Rate Plus	0800 272505	2.1.95	£5,000	8.00%B	Yly
MONTHLY INTEREST						
Birmingham Midshires BS	First Class	0902 302090	Postal	£500	6.27%	Mly
Britannia BS	Capital Trust	0538 398115	Postal	£5,000	6.45%	Mly
Bristol & West BS	Balmoral M'ly	0800 100117	30 Day	£25,000	7.55%	Mly
Chelsea BS	Base Rate Plus	0800 272505	2.1.95	£5,000	7.73%B	Mly
TESSAs (Tax Free)						
Hinckley & Rugby BS		0455 251234	5 Year	£25	8.05%	Yly
Saint Pancras BS		071 794 2331	5 Year	£10	8.00%	Yly
Dunfermline BS		0383 721621	5 Year	£3,000	8.00%	Yly
National Counties BS		0372 739702	5 Year	£3,000	7.90%	Yly
HIGH INTEREST CHEQUE A/cs (Gross)						
Caledonian Bank	HICA	031 556 8235	Instant	£1	5.50%	Yly
Chelsea BS	Classic Postal	0800 717515	Instant	£2,500	5.85%	Yly
Northern Rock	Current	0800 591500	Instant	£25,000	6.85%	Yly
				£50,000	6.93%	Mly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey BS	Woolwich Intl	0481 715735	Instant	£500	6.25%	Yly
Confederation Bank Jersey	Flexible Investmt	0534 608060	60 Day	£10,000	6.75%	½Yly
Derbyshire (IOM) Ltd	90 Day Notice	0624 663432	90 Day	£50,000	7.80%	Yly
Yorkshire Guernsey Ltd	Key Term	0481 710150	31.8.94	£5,000	6.70%E	Yly
GUARANTEED INCOME BONDS (Net)						
Prosperity Life FN		0800 521546	1 Year	£15,000	4.70%	Yly
Consolidated Life FN		081 940 8343	2 Year	£2,000	5.25%	Yly
Prosperity Life FN		0800 521546	3 Year	£25,000	5.70%	Yly
Consolidated Life FN		081 940 8343	4 Year	£2,000	6.10%	Yly
Consolidated Life FN		081 940 8343	5 Year	£2,000	6.25%	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£20	6.25%G	Yly
	Income Bonds		3 Month	£2,000	7.00%H	Mly
	Capital Bonds G		5 Year	£100	7.75%F	OM
	First Option Bond		12 Month	£1,000	6.34%I	Yly
NAT SAVINGS CERTIFICATES (Tax Free)						
	40th Issue		5 Year	£100	5.75%F	OM
	6th Index Linked		5 Year	£100	3.25% +Infln	OM
	Childrens Bond E		5 Year	£25	7.85%F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N= Net Rate. A = Rate guaranteed until 1.11.93. B = Rate guaranteed to be at least 2% above base rate (Min 8%) until 2.1.94 and then 1% above base until maturity. E = Rate guaranteed until 1.12.93. G = 6.5 per cent on balances of £25,000 and over. H = 7.25 per cent for balances of £25,000 and over. I = 6.74% on balances of £20,000 and over. Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD.
Readers can obtain a complimentary copy by phoning 0692 500677.

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MINDING HIS OWN BUSINESS

Mr 5 per cent between China and the world

*Shaul Eisenberg, the secretive billionaire and middleman, invites **Tony Walker** on to his private jet for a glimpse of wheeling and dealing*

SHAUL Eisenberg, the reclusive Israeli billionaire and possibly the world's greatest middleman, is holding forth in his private jet high above the neat, patchwork fields of the Chinese countryside. "Never show off, be humble," he advises. "And if you become big, be even more humble."

Asked the secret of making money, he is characteristically to the point: "A good supplier and a good buyer, and remember the buyer is always king."

So it is that Eisenberg, at 72 and with one heart by-pass operation behind him, travels the world in his private Boeing 727, stitching up deals, stroking foreign potentates, and accumulating vast sums of money.

He is not prepared to say just how wealthy he is beyond referring to the latest *Fortune* survey of the world's billionaires which estimates his net worth at $1.3bn; in the same company as the Dassault's of Mirage aircraft fame, William Hewlett of Hewlett Packard and Kanichiro Ishibashi of Bridgestone tires.

By most standards Eisenberg, a heavy-set man with a lugubrious manner, has made it; and yet he remains a mysterious figure operating in the nether world of behind-the-scenes wheeling and dealing, shielded from public view by a coterie of Israeli assistants. China, in its explosive new economic phase, is his domain.

He rarely talks to the media and when he does he has proved extremely guarded about his business interests, his family and his past. This has invited all manner of speculation and the odd unfavourable notice such as a 1987 article in *Forbes* which said: "his story reads like The Merchant of Venice bizarrely grafted on to TV's Dallas, then transmogrified into some Far Eastern potboiler by James Clavell."

Mention of the *Forbes* article with its accusations that he has not always been scrupulous in dealings with Asian leaders pains Eisenberg who dismisses the piece as "anti-semitic", and adds: "To think it was written by a Jew."

Eisenberg's motives in talking to the *Financial Times*, and inviting its correspondent to travel on his jet are not altogether clear. It may have something to do with a successful man's desire to tell his story in the twilight of his career.

It may also derive from a calculation that a more public stance, now that Israel and China have normalised relations, will help his business interests in China. These include direct investments in glass-making in Shanghai, a computer disc-drive venture in Harbin, and a proposed potash plant in far-west Qinghai province. These investments mark a switch in strategy from "5 per cent middleman" supplying equipment to investor in projects in his own right.

Eisenberg's Panama-registered United Development Incorporated is also one of the biggest foreign traders in China, dealing in everything from pig-iron and power plants to Disney comics.

Eisenberg likes to say that in these straitened times in China – credit is being squeezed across the board – he has found a way to finance deals which give him an edge over competitors. But he is cagy about details. "It is my patent," he says of financing arrangements which rely heavily on his skills as a barter trader.

Seated in his converted jet surrounded by his lieutenants, including a retired brigadier-general of the Israeli Air Force, Eisenberg is en route from Beijing to Nanjing, the capital of Jiangsu province, where he is to be a guest of the governor, rather like a state visit.

Eisenberg's business style, learned from the Japanese in the post-war era, relies on cultivating friends in high places in country's such as South Korea and Taiwan which were the focus of his deal-making in the years before he targeted China in the late 1970s.

"I do only business with friends. If they are not friends I don't do business," Eisenberg likes to say. Among his more valuable "selling tools" is a well-thumbed photograph album which shows him pictured with various Chinese leaders, including State President Jiang Zemin when the latter was a relatively lowly official.

Eisenberg's jet lands in steamy Nanjing and is met on the tarmac by a senior provincial official. Eisenberg is swept away in a black stretch limousine preceded by police cars with flashing lights and sirens. His staff, all Israeli, apart from Filippino and Chinese secretaries, follows in a mini-bus.

At a lavish welcoming banquet which features hedgehog soup and glutinous dumplings, toasts are drunk to successful billion-dollar joint projects, including a bridge over the Yangtze and a toll-highway from Nanjing to Shanghai.

And so Eisenberg continues around China – from Nanjing to Nanning, capital of Guangxi, to Shanghai, and on to Jinan, capital of Shandong before returning to Beijing. It is an exhausting schedule in mid-summer in some of China's hottest regions and begs the question: why would a man of Eisenberg's age and wealth bother? "I like to cook (deals)," he says. "In any case, if I stop I would die!"

It was ever thus, it seems. The story of German-born Eisenberg's escape from Nazi Germany to Shanghai by way of the Netherlands with just 20 Guilders in his pocket reveals an early penchant for deal-making, and was a pointer to his later vocation as a middleman.

Two weeks after he boarded the ship, the Netherlands fell to the Germans and the Guilder became worthless. Good fortune smiled, however. Eisenberg discovered that the purser would not dirty his hands dealing directly with a hold full of Chinese seaman who had been rescued from a sunken vessel, so he became a go-between trading cigarettes and spirits. By the end of the voyage he had accumulated $500, a considerable sum in those days.

Eisenberg joined his parents in Shanghai where his father had established himself as a vegetable oil seller.

The young Eisenberg then ventured to Japan. There he sold Chinese carpets during the war to wealthy Japanese and, after, to the US army, before moving on to deal in iron ore and scrap in the post-war period, learning from the Japanese business samurai in the process.

"I was friendly with Mitsui (Japanese trading company)," he recalls. "I learned a lot from them. They're good business people. They said they might have lost the war, but they wanted to win the economic war, and they planned it properly – like a war. In those days, there were a lot of military people in Japanese companies." Eisenberg himself has followed this formula. UDI is peppered with military types. He likes military-style efficiency ... and people who are prepared to work long hours without complaining. A quick staff turnover is one of the features of the Eisenberg organisation.

Former employees, while they respect his prodigious energy and deal-making skills, are less complimentary about his abilities as a manager. "He expects 200 per cent from his employees, and he meddles in everything," said one. "We used to joke that if we wanted to change the colour of the toilet paper from white to pink Mr Eisenberg would get involved in the decision. The problem is that he doesn't trust anybody."

A more serious observation is that UDI is virtually a "one man show" and that when Eisenberg passes from the scene the company will disappear with him. "The Eisenberg group of companies could have been a real empire, but it is a one man show," said a former UDI manager.

UDI's China business has come a long way since Eisenberg arrived in Peking on Christmas eve, 1978, to explore opportunities in a country cautiously opening to the outside world. Today, he has more than a dozen offices around China, 150 employees, and a billion-dollar trading turnover which includes a large barter business.

Eisenberg directs operations from a plush suite of offices on the 35th floor of Beijing's China World Tower. He shouts orders from his office to assistants who drift in and out to report progress on deals. This is not the hush-hush world of high corporate endeavour, but a trading post juggling a thousand and one business opportunities.

Of his sometimes fractious relations with his staff, Eisenberg says: "Let's say I'm a tough character, but I'm only tough if I see someone making mistakes. I don't like mistakes. If they make mistakes they have to be told, or even thrown out."

On one issue, Eisenberg is particularly sensitive, and that is the question of Israeli arms sales to China. "People think I am an arms dealer," he says. "But I only did it for Israel. I hate the military business, and I don't do it in other countries. In any case, it's only small business between China and Israel. We did not give them hardwear, only know-how."

Independent sources say the relationship was more extensive, possibly running into hundreds of millions of dollars in the past decade. According to a Rand Corporation study in 1991, Israel has helped China develop a surface-to-air missile, an intermediate-range missile, an air-to-air missile, advanced armour technology for tanks and an airborne early warning system, among other items.

While, Eisenberg spends more than half his time roaming the world, "cooking" deals his home base has been firmly in Israel since the mid 1970s when the Israeli Knesset, passed what became known as the "Eisenberg law". This was drafted with Eisenberg in mind to allow Israeli tycoons to operate from Israel without having to pay local tax on their world-wide earnings.

Israeli press reports indicate that life within the Eisenberg family – one son, five daughters and 19 grandchildren – has been fairly turbulent with the autocratic patriarch skirmishing with sons-in-law, who had been drawn into and then abruptly left the family business. Relations with 42-year-old son Erwin have been tense on occasions. Eisenberg deflects questions about his household, but he does volunteer that at time he has given Erwin a "hard time," because "I don't believe in spoiling your kids."

Eisenberg's reputation in his own country is that of a fairly ruthless wheeler-dealer. A case in point was his intervention 18 months ago when the struggling Israeli aircraft industry planned to sell the Kfir copy of the Mirage to Taiwan - a deal which could have hurt his business activities in China. "I intervened very strongly," he said. "Taiwan is not a threat to Israel as China is." He would not have blamed Beijing, he said, if it had carried out a threat, conveyed privately, to supply arms to Syria for nothing, if the Kfir deal had gone ahead.

Eisenberg's connections brings some strange business propositions. He was recently approached by North Korea with a proposal that Israel provide $200m to develop a gold-mine. In return Pyongyang's would undertake not to supply nuclear technology to Iran or arms to Syria.

Eisenberg dismisses the proposal as "blackmail," but sensing there may be opportunities in North Korea, which cannot remain closed forever, has begun, tentatively, to do business there, placing an order for textiles.

Wherever he is in the world Eisenberg keeps in touch with his various businesses which include an aeroplane leasing company in the US and a trading house in South Africa.

"I know every week how much money we make and how much we spend," he says. "Before I go home for the weekend I want to know if I'm broke or if I am rich.

So where does Eisenberg, at an age when most tycoons have quietly retired to the golf course or to their country estates, go from here? Apart from China he has established a presence in central Asia and in the Russian Federation, although experience has taught him to be wary of those markets. He is also focusing attention on India which is undergoing a process of privatisation.

What of his ultimate goal in these twilight years? "I would like to think that one day I could do business with the Arabs," he says reflectively.

MINDING YOUR OWN BUSINESS / MOTORING

Paring down costs and carving a niche

Tim Rhodes (left) and Stephen Bindley: "When you are working for a large company offering what we do the sums involved are fabulous. But the value is poor" Barry Wilkinson

CASTLEFORD is one of those earthy Yorkshire towns where the symbols of an affluent middle class remain inconspicuous in a culture overwhelmingly influenced by low technology industry and tight family budgets. One public house offers a three-course lunch at £2.75. From the windows of the town's centre for small business, you can see shoppers packing Aldi and Netto, the shock troop supermarkets for rock-bottom food pricing.

Inside the centre, the short history of Nile Productions underlines a not always obvious point. Even in an unfashionable environment, little companies in the softer service industries can make a go of it.

Nile is an "events" company, arranging presentations mainly for so-called company internal communication days, as well as offering script writing, print design and organising the supply of promotional gifts and sound and lighting systems. Among its clients are such names as Citröen and the Halifax building society. Started in 1991 by Tim Rhodes and Stephen Bindley, Nile had £200,000 turnover in the 12 months to May 1993 and hopes for £300,000 this year.

The founders took nothing from the venture in the first year. In its third year each extracted a salary of £15,000, which was almost doubled by a bonus out of profits.

Rhodes says they could see a niche for themselves, partly defined by their company's meagre operating costs. "When you are working for a large company offering what we do the sums involved are fabulous," says Rhodes. "The end result is that a lot of money is spent but the value is very poor because of mismanagement and bad buying-in of services and equipment. The client does not get value. Everything goes through several pairs of hands and everyone takes a mark up. It is a nice industry in many ways but there is a lot of greed."

Nile's cost structure certainly makes those of a big city service company look decidedly unattractive. Both put in £12,000 to start the business. Rent on the office – big enough for three people, filing cabinets and computers – is a miserly £135 a month. This also covers the services of the receptionist at the centre which was set up by Wakefield district council. "Our total overheads are about £600 a month," Rhodes says. The company employs no other staff but brings in freelances when needed.

Though the two Nile directors worked in the industry for some years – Rhodes for Harrogate's conference centre, Bindley as a conference production technician – they say they brought no clients with them. The first contract was a financial services presentation for women given by the National & Provincial building society. Nile charged the society £350. The second was setting up a public address system and video projector with operator for a meeting of the Macclesfield Conservative Association.

Nile secured its biggest client when it won the contract to do some of Citröen's dealership days – occasions for the French car company to provide its dealers with information about the company and indulge in a spot of corporate bonding. Nile offers Citröen lighting, sound systems, installation of multi-screen video walls, slide make-up slides and design of point of sale material. It charges about £1,000 for preparing and running a dealership day and might do 40 in a year.

Other important clients are Software Box, a Yorkshire software retailer, British Rail's Watford management centre and the North-West regional health authority. "We write to companies and do some cold calling but most work comes from word of mouth," says Bindley.

Nile has to pitch for almost all its jobs and this is one of the biggest costs: "About 50 per cent of our time and money goes on failed pitches," Bindley says. "We get 20 per cent of the jobs we pitch for. An average pitch costs us £2,000 to £2,500 to make. So we need £12,000 profit from one job to adequately cover for lost pitches. It can be very frustrating, especially when the client simply rips off our ideas and uses them itself."

Nile tries to keep job specifications tight when it employs freelances for design and lighting work. "A piece of work and what it costs can go haywire if the designer is a wacky guy. If a person is not taking responsibility for the final budget he doesn't have loyalty to the end client."

Nile aims for a pre-tax return of 10 per cent. Jobs arrive in fits and starts and as with so many small businesses, Nile's owners occasionally endure a disastrous spell.

"I had three telephone calls in one day last year which ended our chances of getting £150,000 of work," says Bindley. When that happens I take the day off, go for a wander, sit in the woods. It's all you can do." Still, there are compensations in running your own enterprise. "It's the ultimate toy."

■ *Nile Productions, Five Towns Resource and Technology Centre, Welbeck Street, Castleford, West Yorkshire WF10 1DR. Tel 0977 519625.*

Nick Garnett

Computing / **David Carter**

Today gorillas, tomorrow a network

THIS WEEK I want to consider recent technical developments in the DOS operating system. We will take them in order of priority.

Two gorillas are standing on skyscrapers silhouetted against the New York skyline. Each lobs an explosive banana at the other. The angle and speed of the throw, the force of gravity, the wind speed and direction, all affect the accuracy of the banana. The first gorilla to score a direct hit wins.

Owners of PCs purchased within the last year or two may not be aware that this rather enjoyable game comes free within DOS 5 and DOS 6. To find out whether you have Gorillas: Go to the C:\> prompt, type VER and press Enter to check whether you have DOS version 5 6. If you do: Type CD\DOS and Enter; type QBASIC Enter; press the ESC key to clear the Survival Guide comment; hold down the ALT key and press F for the FILE menu. Highlight OPEN and Enter; from *.BAS press the TAB key once so the cursor is under GORILLA.BAS; press the SPACE BAR to highlight GORILLA.BAS; press Enter to bring up the rules.

DOS 6.0 was released by Microsoft in March and I recently tried it on my own machine. Its big attraction is the "Doublespace" disk compression feature. If you have a 20 or 40 megabyte disk and are short of space, DOS 6.0 can nearly double your available capacity.

Typing CHKDSK at C:\> showed that my disk capacity was 120 megabytes, of which about 32 megabytes remained available. Installing Doublespace was very easy: just launch it, and off it goes. It took about two hours to compress and "defragment" my disk. I was delighted to find that Doublespace had generated an extra 86 megabytes of disk space from 32mb to 118mb.

Next I tried running some of my programs to make sure everything still worked, but got the message "insufficient memory". Typing MEM from C:\> showed only 440k usable memory so this was the cue to try another feature of DOS 6.00, "Memory Maker". Again, you just have to launch it and off it goes. At the end my available memory was increased from 440k to 592k and there were no more memory problems. All in all, I was impressed with DOS 6.0. There are further valuable features such as an "Anti-virus" detector and "MSBackup" from Symantec Corp. which makes copying far easier than under the usual DOS "Copy" and "Backup" commands. Even the accompanying manual seemed sensible and clearly-written. At around £59 DOS 6.0 is a bargain.

However, problems with Doublespace have surfaced in the computer press and my local dealer recently told me a terrible tale. He has a customer who installed Dos 6.0 and Doublespace. The disk drive is now unreadable and Microsoft say nothing can be done to retrieve the data. To cap it all, the poor fools were not taking backup copies so they have lost 300 megabytes of data and five years' accounting records. So if you run a mission-critical application such as accounting on your PC, do not use disk compression. And if daily copying starts to involve too many floppy disks, invest in a tape drive for quick, easy backup.

Finally, a note on something very exciting indeed – networking DOS. The biggest defect in DOS has always been that it is single-user. If a manager wants to call up on his computer the financial information residing on his accountant's PC, he cannot simply connect the two machines together with a cable and look; he has to buy special networking software such as Lantastic from Artisoft or Netware from Novell.

Recently the latter took over Digital Research, whose own version of DOS, DRDOS, is generally acknowledged to be superior to Microsoft's. The first fruit of the marriage – Novell DOS 7 – will be released before the end of the year.

This new version of DOS will, for the first time, integrate networking into DOS itself. Theoretically it will be possible to cable all your office PCs together, load Novell DOS 7 on to each one and, hey presto, you have a network. If it makes connecting PCs together in a network as simple as hooking a PC to a printer, Novell DOS 7 will be the most important DOS development yet.

Motoring

Vauxhall looks for automatic success

***Stuart Marshall** drives the Corsa and V6 Calibra*

IN ROUNDING off its Corsa range with three automatics, Vauxhall has beaten the Japanese producers at their own game. Companies such as Daihatsu and Honda, Mitsubishi and Nissan realised several years ago there was a growing niche market for small cars with power steering and automatic transmission.

Until now, they have had it all their own way. But their cars have grown in size and, thanks to the zooming value of the yen, in price. The cheapest two-pedal, power steered Japanese small car is now the £9,645 Daihatsu Charade 1.3GXi five-door. A similarly equipped three-door Honda Civic is £11,765, Mitsubishi Colt £12,059 and Nissan Micra five-door, £10,685. The only non-Japanese rival, a two-pedal Renault Clio three-door, costs £10,215 with optional power steering.

Remarkably, even the most expensive Vauxhall automatic, power-steered Corsa, the 1.4i GLS 5-door, is only £9,585. And the cheapest, the Merit 3-door, just £7,962. But the Corsa's attraction goes far beyond price. It is a little cracker of a car, as solidly built as a baby Saab, nimble as a ballet dancer in town and effortlessly parkable.

The five-door 1.4i GLS I drove last week rode country lanes and cruised on motorways as placidly as many a car one class up in size.

Its electronically controlled four-speed automatic gearbox is essentially the same as that used in the Astra and Cavalier (Opel Vectra). If the Corsa is driven sensibly, the transmission shifts so smoothly the only indication is a change in the engine note. In third and top gears the transmission's hydraulic torque converter locks up, eliminating slippage and saving fuel. At least 40 miles per gallon (seven litres or less per 100km) should be possible on a journey.

There are economy, sport and winter settings. I see little point is using the sport setting because all it does is increase change-up speeds. (If you were that kind of driver, you would go for a manual gearbox anyway). The change-up speeds in economy setting are perfectly adequate. In winter setting, the car moves off in third gear, which reduces the chance on wheelspin in snow.

The Corsa's attraction goes far beyond price. It is a little cracker of a car

The two-pedal Corsas are on sale now. Vauxhall thinks it will sell 1,400 of them by the end of the year and 3,000 in 1994. As word gets round among city centre drivers and mature motorists, who ask little of a car except that it is well made, keenly priced and exceptionally easy to drive, this could be an under-estimate.

Vauxhall, which took UK market leadership in July for the first time in its 90-year history, has also introduced V6-engined, manual or automatic transmission, versions of the Calibra, which looks like being Britain's most popular coupé this year. Sales are up 36 per cent compared with 1992 and a record 1,475 were registered last month. Under its elegantly curved body, the Calibra is mainly Cavalier – the car sold as an Opel Vectra on mainland Europe. The new Saab 900 also makes use of its chassis platform. Calibra manages to feel different from Cavalier or Saab 900, just as Peugeots and Citröens do, in spite of sharing most major components.

So far, Calibras have been offered with two-litre, four-cylinder engines, including a rapid but well mannered 204 horsepower turbo version. This has four-wheel drive and remains easily manageable on wet and slippery roads.

The V6 Calibras sit between the 16-valve 2.0-litre and the turbo 4x4 in price and performance. Though both are said to have the same potential top speed of 147 mph/237 kmh, the turbo is a half-second faster from 0-60 mph (0-96 kmh).

They are quieter and, some might say, less sporting than either the 16-valve or turbo, but does it matter? Not, I suspect, to many Calibra buyers who have been seduced away from a cheaper Cavalier saloon by the coupé's ravishing good looks.

The British-made 2.5-litre V6 engine, spinning silkily up to high revolutions, puts out 170 horsepower at 6,000 rpm. Its strong mid-range pulling power makes for quick, safe overtaking.

The standard V6 Calibra has a five-speed manual gearbox and costs £19,870; the four-speed automatic is £20,624. Prices include airbags for both front seats, ABS brakes and black leather trim.

One can pay a great deal more for a multi-cylinder coupé but for sheer driving pleasure I would back a Calibra V6 against any price-competitive rival.

Saab ready for take-off

SAAB'S share of executive car sales in Britain, currently a record 6.7 per cent, seems set to climb with the arrival of the new 900 next month. Pricing is aggressive; the 140 horsepower 900S 2.0i will cost £15,995 – between 7 and 8 per cent less, Saab GB says, than a comparably equipped BMW 318i or Audi 80 2.0E. It should cost no more to insure than a Mondeo 2.0i or BMW 318i, slightly less than a Cavalier 2.0 SRi or Rover 620 GSi.

Prices of the 155 bhp 900S 2.3i start at £17,945 and the top model, the 175 bhp 900SE 2.5V6, with air conditioning and traction control, is £21,795. The new cars go on sale on October 20.

SPORT

Sailing/Keith Wheatley

The Big Blue of the deep blue sea

THE Farr Hegemony. *It sounds like a third-rate historical novel set in Nepal.* In fact, Bruce Farr is a shy New Zealand yacht designer. His hegemony is among the Whitbread Round the World Race fleet which leaves Southampton today. Three of the five 80ft maxi yachts are from Farr; all but two of the new W60 class are from his drawing board.

Statistics alone make it likely that a Farr yacht will win the 32,000-mile Whitbread race. Even the great Olin Stephens, patriarch of the New York firm Sparkman & Stephens, never achieved this kind of dominance in the sport.

Rival designers understandably chafe at the presumption that there is only one choice for a skipper who wants to win. Rob Humphreys, a top British designer, is responsible for the W60 entry Dolphin & Youth, points out that his boat gave the Farr-designed Winston a neck-and-neck match in the New York/Southampton race earlier in the summer.

The sport, he thinks, has an ethos like the one which once prevailed in the computer world ie "No one ever got fired for buying IBM". To compete in big professional races such as the Whitbread requires millions of dollars in sponsorship. Large corporations may not know much about sailing, but *for IBM read Farr.*

His business, based in Annapolis, Maryland, employs just 12 people and 10 of them are yacht designers. Each year it controls race boat projects worth nearly $100m, a startling position for such a small business headed by a 44-year-old. Farr says he is uninterested in the money. "It is much more important to be the best in the world than the richest," he says emphatically.

One story says a lot about

Farr's business employs just 12 people. Each year it handles projects worth $100m

Farr's style. In 1988 he was responsible for the New Zealand challenge for the America's Cup in a 130ft sloop. American skipper Dennis Conner responded with a rule-busting catamaran and the US kept the trophy after an ill-tempered Cup that featured more lawyers than sailors.

At a news conference after the race, a tired and emotional Conner insulted Farr in front of the world's media. But the icy Kiwi regained his self-control and the moment passed.

Fast forward five years to the current Whitbread race. Conner has the dollars of RJ Reynolds and its Winston cigarette brand at his disposal to give him the easily the best-funded campaign. Without hesitation Conner chooses Farr to design the boat.

In England recently Farr admitted that the two had not met, or even spoken about the project. Farr's people talk to Dennis's people. But the yacht is real enough and is one of the favourites to win the race.

Bruce Farr is one of a generation of New Zealanders now at the top wherever one goes in world yachting. During the late 1970s his boats would continually break new ground within the design limits of the International Offshore Rule which covered most racing and *win every prize in sight.* The IOR would then attempt to close off a particular route, only for Farr to find another design avenue.

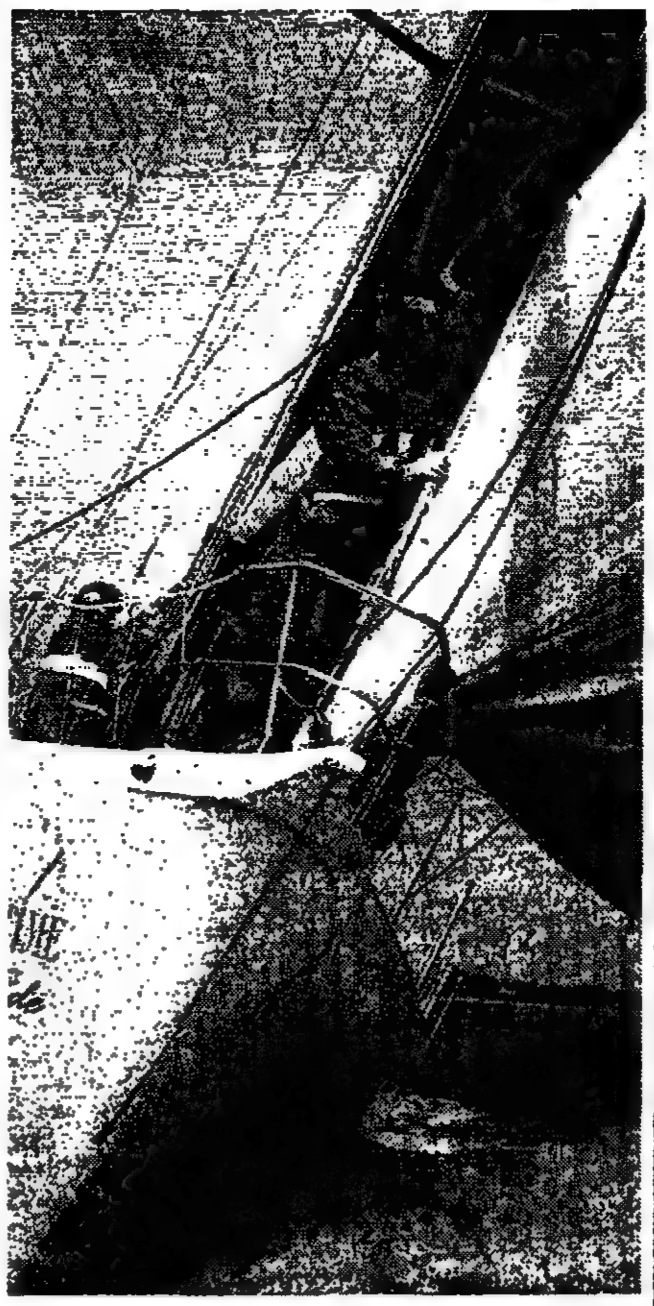
At that stage of his career it was probably the quality of his imagination that was unusual. What was to make Farr special was the willingness to channel the income that comes to a "hot" designer into endless generic R&D. Around 20 per cent of Farr Associates practice earnings is still spent, year in, year out, on pure research.

He is the biggest customer of the Wolfson Unit at Southampton University, a tank-testing and wind-tunnel facility that is regarded as the world leader in hull and foil evaluation. The quality of the Farr computer Velocity Prediction Programmes is legendary.

Before deciding whether to build a maxi or a W60, Grant Dalton, skipper of New Zealand Endeavour, commissioned a $50,000 study from Farr on which of the two classes would be fastest around the world. The VPP gave the bigger boats and advantage of perhaps half-day – probably statistically invalid, given weather variables – but Dalton had enough faith to commission a maxi.

Perhaps the most extraordinary thing is that when the Farr fleet sails today, for all the millions of dollars invested by bitter rivals, there will not be a single complaint that perhaps one client has had better service or benefitted from technology developed for another. Integrity comes with the Farr label. The "Chinese walls" between one design and another are unclimbable.

As the yachts leave on the 5,000-mile first leg dash to Uruguay, this race is probably already over for Farr. He is thinking about hulls and keels for the 1995 America's Cup.



Dolphin & Youth, one of the few W60s not designed by Bruce Farr

Olympics

Sydney's strategy

BEER bottles made impromptu batons as the victorious Sydney team conducted a roaring chorus of Advance Australia Fair, the national anthem. Elsewhere in Monte Carlo, the defeated licked their wounds. "There is no bronze medal in this Olympic race," said Walther Troeger, a German member of the International Olympic Committee and supporter of Berlin's campaign to host the 2000 Olympics.

Whether the Beijing team, beaten at the final hurdle, were so phlegmatic is doubtful. "*This whole process was so* unlike the Chinese. They were virtually begging to be given something they desperately wanted," said one Hong Kong-based observer. "One can't calculate how they will handle the loss of face."

Sino-British relations, already at a low ebb over the Hong Kong issue, will now be seen from a new perspective by China. With just three candidates left Manchester won 11 votes, Sydney 37 and Beijing 40, so Manchester was removed from the final ballot. Its supporters split 8-3 in favour of Sydney in the fourth and final vote to give Sydney a 45-43 victory.

"I think we gave the Australians more than just our votes," said Bob Scott, the Manchester bid chairman. "The emphasis and agenda of their bid followed very closely what we had learned and formulated during our campaign for the '96 Games."

Coincidentally, the two presentations to the IOC were consecutive and offered a highly traditional, athlete-centred view of the Games. The IOC's technical evaluation commission had already given Sydney's plans the highest-rating of the five cities.

Beijing, in contrast, made no claims in its 55-minute presentation to offer the best Games for 2000. The "pitch" was a simple proposition that the time had come to let the world's most populous nation emerge from the shadows of troubled modernisation and take centre stage.

The speech of Zhenliang He, a vice-president of the IOC and much-respected within Olympism, was a masterly encapsulation of the Chinese proposition. "My destiny is tightly entwined with my country. As a child and an adolescent I saw bitter times," said He who is

***Keith Wheatley** was in Monaco to watch the intrigue behind the final Olympic vote*

64. "As an older man, *I have* seen China's reform and open-door policy provide my country and myself with new horizons.

"We believe that the Olympic Games are for all nations, not just for those that are highly sophisticated. Awarding this honour to a developing nation like ours would not only expand the horizon of the Olympics, but also assist us in our development process."

There seemed to be a certain melancholy abroad that the dream of a simpler, more frugal Games had drifted further out of reach. China's strong support from the 16 African IOC members had this element – as well as straightforward gratitude for an *intense sports* aid programme that had brought massive stadia to Kenya and Zaire, for example.

"There is now so much technology necessary, so much investment, that although one cannot speak of China being Third World, there is an understanding," said General Zein Gadir, the Sudanese IOC member.

Certainly the IOC as an organisation is unashamedly delighted with the choice of Sydney. It provides a host city without political or economic risk and will stage a spectacular Games. Just as important from the IOC's perspective is that Sydney showed it possible to win the *nomination* with a scrupulously fair campaign.

"They played it 100 per cent straight from the outset. There was never the slightest complaint against them," said IOC information director Andrew Napier. Beijing, in contrast, played hardball. Government-to-government pressure, relayed to the individual IOC member, *was the most* frequent manifestation.

However, the IOC is thought to have warned the Beijing campaigners over the number of "facility trips" to China that some members were offered. Under recent rules forbidding excessive generosity, each member is rationed to one free inspection trip.

Already 70 per cent of the Sydney sports facilities are in place. Most of the catamaran ferries which will ply the harbour between the Homebush Park site of the Games and the city centre are in service. "We said to the IOC this week that if, for any reason, Atlanta fell down we could probably be *ready in '96," said John Fahey,* the premier of New South Wales.

Golf/Derek Lawrenson

Ringside seats by an empty stage

FROM FIRST light on the Open's final day, spectators pack the grandstands that frame the 18th hole in anticipation of the drama to come. They are taking part in one of sport's rituals; the long wait that is so often necessary to reserve a seat for the action.

At the Open, at least they are more involved than most. The long hours can be spent watching members of the supporting cast, who, with one eye on aeroplace schedules, complete their rounds in the time it usually takes to play nine holes. They can applaud Jack Nicklaus into the sunset once more, or laugh at the buffoon who is past caring and has more money than he knows what to do with and takes four putts from 20 ft.

But is there anywhere else in sport where spectators pack the grandstand with no guarantee that they will see a single shot played? They used to say that if they opened the gates on non-match days at Old Trafford, the people would still come and watch the grass grow.

This came to mind on Thursday when I joined the spectators as they parked themselves in the 18th grandstand at The Belfry even though nothing, absolutely nothing, was happening at the time on this hole in the Ryder Cup.

The players, on their practice rounds, were on the front nine, the cheers that heralded their deeds just within range of our ears.

"What are we doing here when all the action is out there?," I asked the young couple adjacent. "Have you been out there?" they asked. "And did you see any more of the action following the matches than we are seeing here?"

Their thesis was correct.

The Ryder Cup is a unique event in many ways and one of them is that for two days at least, just four holes out of 18 are in operation at any one time. The owners of the Belfry have spent hundreds of thousands of pounds creating natural spectating areas around most holes. But 25,000 people (the size of the sell-out crowd) into four holes just will not go.

The Ryder Cup, more than any other event in the sport, is based on atmosphere. People rely on scoreboards and whispers through the trees to discover what is going on. You might think the cognoscenti would stay at home and watch on television but the people in attendance here are not voyeurs of big-time sport. The true golfers prefer seeing a snatch in person than just as another TV event.

Yes, they spend large amounts of time doing and watching nothing, but there are rewards. The young couple, myself and all the others pleasantly passing the time on an idle Thursday morning, chatting about Manchester and the Olympics, Aston Villa's win over Birmingham, the clearing fog and Watson's wobbler over signing Sam Torrance's Gala Ball menu, witnessed a small exclusive.

Hours before the news was announced at the opening ceremony, we knew that the Americans, John Cook and Lee Janzen, would not play in the first morning's foursomes.

We knew this because while their colleagues were out on the golf course, away from our view, this pair suddenly came out and started practising their chipping in front of us on the home green. This was not done to keep us amused. No, when they had chipped and putted for a short while, we heard the news in a whisper from the pair to a confidante.

It was Cook, I think, who revealkedf: "No, we are not in there tomorrow morning." We digested the information and added it to our list of discussions. We thought about sharing it with the part-time grandstanders who came later.

Days spent by the 18th green of the Ryder Cup are rarely in vain. Later, we witnessed the opening ceremony. And tomorrow the young couple plan a dawn vigil to be sure of their seat for the final day's singles.

For while all the 12 matches could finish out in the country, the chances are that those that matter will be played out on this wonderful hole. Seven of the 12 went to the 18th four years ago and in all of them the hole was either won or lost and you can imagine the consequent pull on the emotions.

That is why there will not be a spare seat anywhere by the time the players go down the first hole and begin a journey that will lead many of them back to a scene that is quite unmatched anywhere else.

TRAVEL

Shaken – and stirred – in Marseilles

Two nights and a day are just not enough in France's city of anti-legend, says self-confessed Dumas junkie **Nigel Andrews**

MARSEILLES is one of those cities that exist in anti-legend: fogged by folklore and apocryphal fame, but all of a faintly dubious kind. Smugglers, drug-dealers, the Mafia. Corsican brotherhoods, impossible fish stews, bad Humphrey Bogart movies. Not to mention – but we will – all those interminable low-life stories by Pagnol where men in striped sweaters throw *oeillades* at the daughters of the dockworld.

On my first stopover in France's second largest city, I made the inevitable finding. All of this and none of this is true. The most famous landmark is the *Vieux Port*, hitherto stamped on my retina by films like *French Connection 2* where the villain was chased over slippery quaysides by Gene Hackman, or Hackman's fitter double.

On inspection, the Old Port *is* a place for moody visceral chase scenes. But it is also an architectural-archaeological jewel: centrepiece in a town where a lustrous, laid-back *joie de vivre* seems just as prevalent as the swarthy, laconic mood the place is supposed to enjoy. (Note in part-explanation of the *joie de vivre*: Marseilles won the European Cup just after I got there).

A visitor feels like a native as soon as he arrives. The airport taxi flails through traffic while the driver talks of his joys and sorrows. Then one comes to an emergency stop outside the chosen hotel. Mine is the Sofitel.

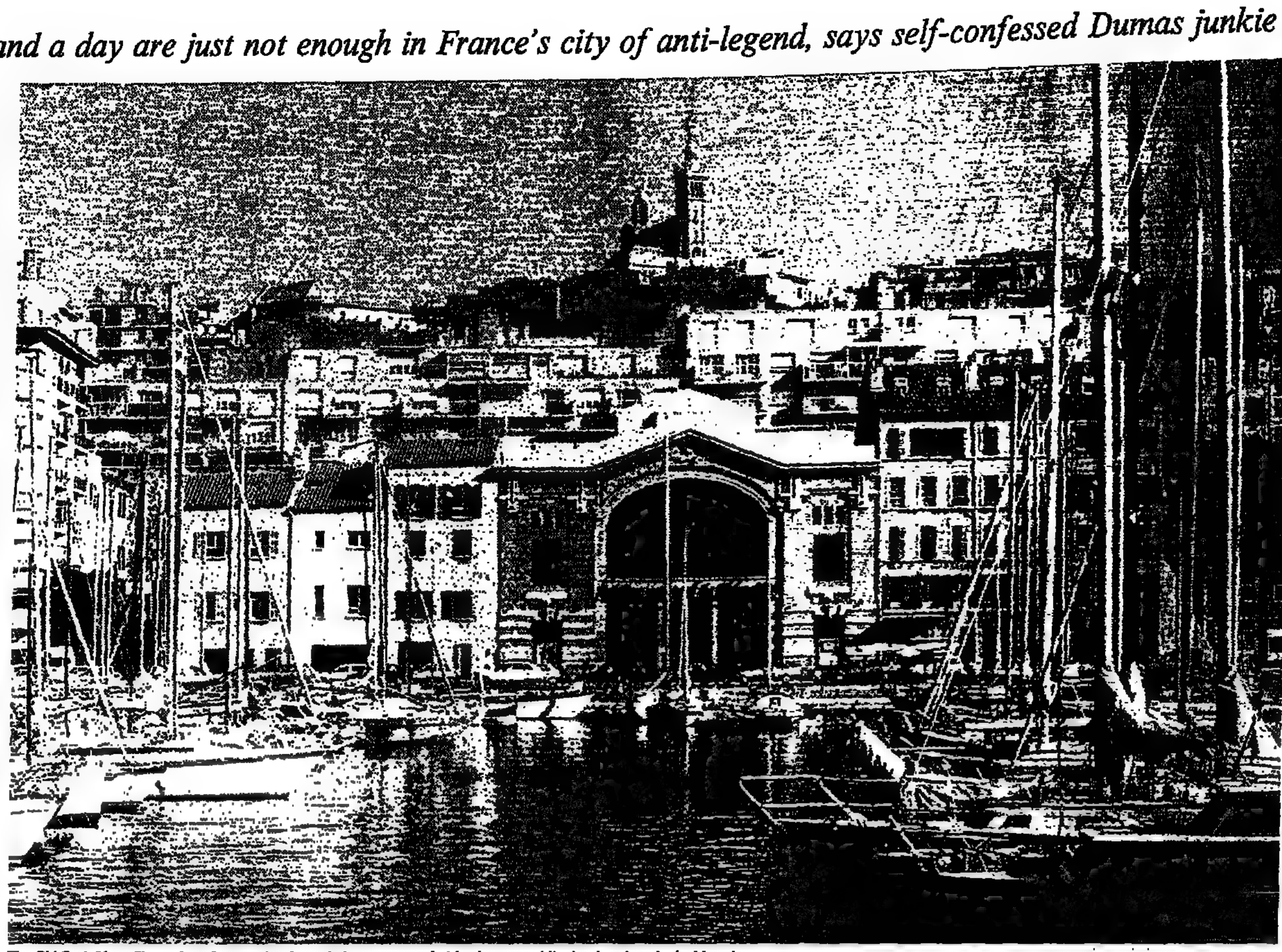
I get out shaken and am soon strangely stirred. The hotel has a magnificent view: it stands on a headland at the harbour mouth and surveys the whole port, with its sparkling water, bristling yacht-masts and sunset-pink walls, towers and fortresses of ancient brick.

For – yes – Marseilles dates back to the year 600 BC when, my guidebook informs me, Phoenician galleys slipped into the inlet which is now the *Vieux Port* and founded a place called Massalia. This became Greek, later allied itself with Rome, finally pronounced itself French.

As for the anthem that became France's battle hymn of the republique, it was composed by a young French soldier in 1792. Popularised at a banquet for 500 volunteers in Marseilles, it was then sung all across France as the men marched to Paris. By the time it reached the capital the *Marseillaise* had won the Eurovision Song Contest, or its *dix-huitième siècle* equivalent, several times over.

Two nights and a day in this town are not enough, but they concentrate one's mind and delight in the place. In the morning, wander round the fish market on the Quai des Belges.

Le tout Marseilles is out and about, assessing the eels while the eels assess them back. (Do not wait for the nasty chop of the vendor's cleaver). Then have a *café crème* and flaky croissant in a waterside bar, surrounded by the usual central casting crowd of blue-and-white-sweatered mariners.



The Old Port, Marseille: a place for moody, visceral chase scenes that is also an architectural-archaeological jewel

After that, board the boat for the town's offshore *pièce de resistance*, the Château d'If. I must disclose an interest. As a child I was an Alexandre Dumas junkie. Not so much *The Three Musketeers* with its dandyish threesome – foursome, actually – shooting their lace cuffs as they helped Milady So-and-So fight Cardinal Such-and-Such. No, rather the Gothic shivers, dripping rocks and elegantly calcinated prose of *The Count Of The Monte Cristo*.

As the boat leaves Marseilles and bumps across the silver strait beyond the harbour mouth, the castle-island swells from a floating chess piece to a craggy fortress. Having taken the first morning boat, one is alone with the shrieking gulls and beetling cliff of wall. A short climb, an archway – then the sullen, bearded doorkeeper relieves you of your valuables (FFr10, £1.13) in return for a small ticket. Un-jangling his keys, he pushes you into the courtyard.

Around this tall, dank well are three grim storeys. Arched doorways are surmounted with Gothic name-signs: "Edmond Dantes, Comte de Monte Cristo", "L'Homme au Masque de Fer" (yes, he too), and dear "Abbe Faria", Dantes' neighbour, friend and sacrificial ally in flight.

Inside the cells, some things surprise. That of Dantes has some wall-scratched messages that seem to be distinctly post-19th century in origin. And Faria's cell has a wide-open door, a pleasant view through a hole in the rock and a TV screen set into the wall. (This, I learn, is for a coming art exhibition). But such things fail to distract. If you close your eyes the castle still has the smell of fear; touch the walls, the texture of decay.

If you climb the pitch-black spiral steps in an outer keep to the castle's roof, you can survey the terror of the jagged rocks and cold sea Dantes fought before reaching safety and riches. (It should only occur to one after wandering round this place – why spoil your fun during? – that Dumas's characters were fictional and that the Man in the Iron Mask was accommodated not here but at the Bastille in Paris).

Back on main land, it is time for lunch. It must be *bouillabaisse*. I order at an outside table in a small dockside restaurant. With a good Marseilles *bouillabaisse* you first get a bowl of spiced and succulent fish soup with bits of browned bread and garlic relish.

I was given a fork, not a spoon, with the all-liquid soup, and assuming this to be an old Marseilles custom battled away for several minutes dredging the un-dredgeable. Then the waiter, noticing my discomfort, realised his mistake and replaced it with a spoon.

Then followed the fish *stew* itself: heaven in a serving bowl. Self-warnings about the state of Mediterranean seafood are suspended as the fishy fragments in stock-rich gravy – here a mussel, there a piece of *loup de mer*, now some lobster – are fetched up with accompanying nuggets of potato, carrot or courgette. *Bouillabaisse* is essentially a fish couscous. Recipe: throw in absolutely everything, followed by most of the stocks and spices of the Mediterranean.

There is more Marseilles for the afternoon. The two churches you should visit are the 11th century Saint-Victor, a crenellated gem overlooking the port with a crypt containing an earlier 5th century basilica as well as a collection of early Christian sarcophagi; and Notre-Dame-de-la-Garde, a 19th century folly in Roman-Byzantine style whose hilltop position affords the most spectacular views in town.

Now return to the Old Port, go back a street and relax in the *Jardin des Vestiges* (Garden of Ruins). Here, just behind the stock exchange, you will discover the vertebrae of history. The bones and stones of ancient Marseilles stick spine-like from the green sward. Here a fragment of Greek fortification, there a 4th century entrance into town; and clambering around and over the building-blocks of the old port – this is the *really* old port – are children of the gipsy and Moorish families who make this park their afternoon relaxation point.

My own relaxation point is back in my room. I sit at the window in the evening mesmerised by the colour changes in water and sky, the double-imaged yachts, the lights blinking on round the harbour and cueing their reflections in the starry night sky.

Here is perfect, sense-filling peace. And if, when you are finally thrown out of the Sofitel by a restless management, you cannot bear the prospect of returning to the old life and old cares, you can always knock at the fortified gate of the large stone building next door. *"Legion Etrangère"*, says the grim, forbidding, irresistible sign: *"Recrutement Jour et Nuit."*

هكذا من الأصل

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A white wall of death

Richard Cowper tells how his mountaineering expedition ended in near-tragedy

AVALANCHE! The cry most feared by mountaineers everywhere. None more so than by those lured to the greater ranges, where heavy snowfall, warm weather and fierce winds regularly send thousands of tonnes of snow crashing down the mountainsides.

Avalanches are the high-altitude climber's worst enemy. There have been just 2,385 successful ascents of the world's 14 8,000m peaks – all of them in the Himalayas or the nearby Karakoram – but 450 climbers have died trying, almost half in avalanches. An avalanche has killed one climber for every ten successful ascents on the world's most coveted peaks.

My trip to Nanga Parbat in Pakistan, on an expedition to the world's ninth highest mountain led by Doug Scott, 53, the first Briton to climb Everest, was brought to a premature end by just such an imperious act of nature.

Scott and our other team member, Wojciech Kurtyka, a Pole in his early 40s who is one of the world's most outstanding Himalayan mountaineers, have more than 50 years of climbing between them and nine 8,000m peaks to their credit. But avalanches are complex natural phenomena, and even the most experienced climber is not able to predict when – or even if – one will occur.

On the day of the avalanche we planned to climb the highest peak west of the Mazeno pass, above our base camp. Unlike the lower but more alluring rock spire nearby, climbed by Scott in a great rush of adrenalin a few days earlier, it was not an attractive mountain. But it had not been climbed before as far as we knew and, at just under 6,000m, was suitable for training and acclimatisation. We named it Mazeno west.

Our party of three set off in fine weather from base camp at 5am, early enough we felt to get us down before the heat of the day made the slopes unstable. No danger there, we thought – except that the peak we were attempting was in a basin and south facing, caught by the morning sun.

There had been some snowfall the day before, but lower down it was just a light dusting. No danger there, we thought – but it does not take a huge snowfall to trigger a slope already poised to slide.

It seemed a sensible route: up an old avalanche scar. No danger there, we thought – except that the top third of our route had not avalanched recently, and higher up we found that in places the snow had an unpleasant hollow ring to it.

We reached the top without any great difficulties shortly before 10am, from where we had dazzling views of many of the peaks along the 13km Mazeno ridge, the expedition's planned route to Nanga Parbat's 8,125m summit. It has become known as "infinity ridge" because it is the longest unclimbed ridge in the world, and some argue it will prove impossible to climb so far at such altitude.

By now the sun was well up and we did not linger, descending at speed unroped, as we had on the ascent. Kurtyka first, then Scott, with me, the expedition lightweight in terms of skill and experience, well behind.

As it turned out my slower descent was a stroke of luck. It meant I was not in the path of the avalanche when it struck.

Kurtyka, a man with the looks, sensitivity and athleticism of a young Rudolf Nureyev, tells of the incident that so nearly killed Doug Scott.

"Very soon after arriving at the narrowest part of the gulley I heard a muffled noise. Avalanche! I looked up and saw a long crack appear across the slope above and then the snow began to slide. Doug was about 25m above me, running towards some rocks. He was trying to escape, but the snow was catching him up...

"Immediately I made three or four jumps out of the gulley and on to some rocks at the base of the nearby mountain wall. It was just a few seconds before the first rush of snow hurtled past. I had made a very narrow escape."

But with less time to get clear, Scott was not so lucky. A wall of snow crashed into him, sending him spinning down the steep couloir.

"I tried to scurry across the gully towards the rocks away from the avalanche, but it was too late," says Scott. "I thumped both my ice axes into the ice. Then the avalanche of heavy wet snow hit me and pulled me off. I was carried down, not thinking much of it at first.

"Suddenly my descent speed picked up. I lost one ice axe. I tried to pull myself upright to put the other pick in the ground. It was useless. I was vaguely conscious of passing Wojciech. All the time I was flailing my arms, trying to get on top of the snow to stop myself from being buried and suffocated.

"Twice I felt as if I was flying through the air. There was a wonderful sensation of floating, just mixing with the snow. Twice I seemed to bang my head on rocks or something solid. About two thirds of the way down my boot crampons snagged on some rocks. It was tremendously painful.

"As I was swept down the mountain I kept thinking that I would soon become unconscious and die. But after each bump I didn't and I thought how resilient the human body was. I had been expecting a kind of blackness.

"There was no other thought, other than living each second of the fall. Then the whole thing slithered to a halt. I had to undo my rucsac belt in order to breathe. I poked my head out of the snow, cleaned my glasses. 'Oh, I'm alright' I thought.

'They are the mountaineer's biggest fear. An avalanche has killed one climber for every ten successful ascents on the world's most coveted 8,000m peaks'

Then I tried to walk – and I couldn't."

Scott had fallen 350m down a snow and ice gully of more than 50 degrees. Even with a helmet, which he had only decided to take at the last minute, it was a miracle he survived. But he was badly hurt: his snagged crampons had smashed the joints and tendons in one ankle and the flesh had come away from the bone.

If the snow which peeled away like a broad carpet across the slope had been just 15cm deeper, Britain's most accomplished mountaineer would have been buried under more than 2m of snow and would have quickly suffocated. We may never have found him. Or he might have hit directly one of the many boulders on his long fall. In either case his chances of survival would have been minimal.

As I climbed nervously down through the avalanche debris the tenacious Scott was already starting to slide and crawl across the glacier, while Kurtyka, showing his extraordinary stamina, ran off to get assistance from Captain Ali, our liaison officer, and our two Pakistani camp assistants, Hussein and Hakim.

The journey down the last part of the mountain had taken Scott just a few seconds. But the 3km trip to base camp, over moraines and around crevasses, mostly on his knees, took several nightmare hours. He is a giant of a man, well over 6ft, and just too big to be carried easily across steep terrain.

The pain on his face as he crawled over snow, ice and boulders reminded me of the famous photographs of him taken in 1977 by Chris Bonington, when Scott broke both legs while climbing the 24,000 foot Ogre in the Pakistani Karakoram. That epic descent in a storm took eight gruelling days.

Later, back at Nanga Parbat base camp, Scott said that the memory of that terrible day had helped him develop an efficient method of crawling, like a crab, on Nanga Parbat.

Even after his lucky escape it was hard for us to accept that the expedition was now over. We had been happy together; healthy, fit and on the way to becoming well acclimatised. The lure of Nanga Parbat was still strong. This was Scott's third attempt to climb it; Kurtyka was captivated by its size and many challenging unclimbed routes; and after several weeks on its slopes, I too had come under its thrall.

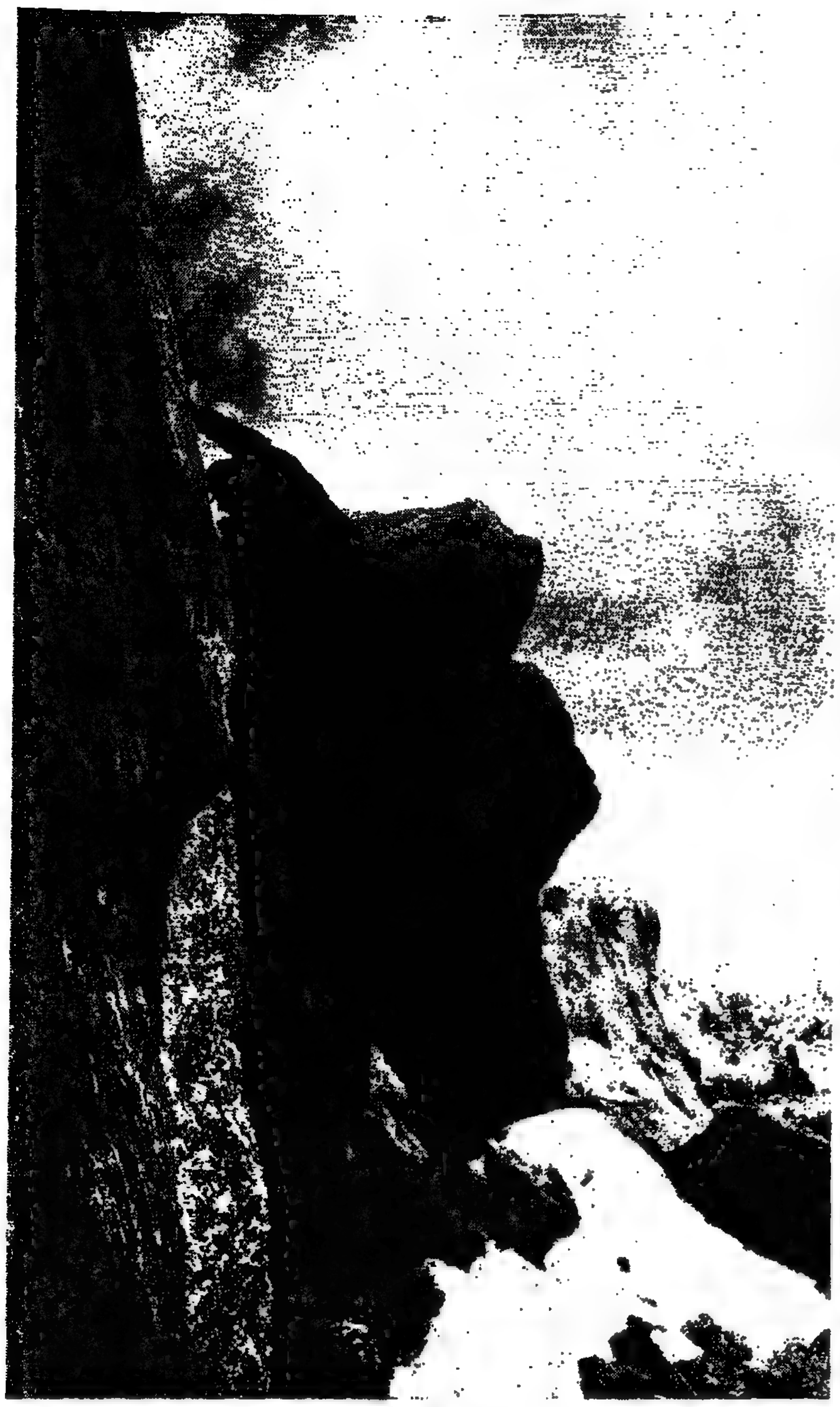
Bounded to the north and west by the river Indus, Nanga Parbat ("Naked mountain" in Sanskrit) stands in mighty isolation as the culmination of the western half of the Himalaya. Looking to the summit from the Rupal valley it rises almost sheer for close on 5,000m, the biggest face on any mountain in the world.

It may not be the most beautiful of the Himalayan giants, but it is the grandest I have seen. It is also one of the most dangerous. Famous for savage storms just 112 climbers have reached its summit since it was first climbed by Herman Buhl in 1953, and 56 have died trying, over half by avalanche.

It certainly saw us off. Even the "walk-out" from our 4,800m base camp was not without incident. We overcame a porter strike, lost one of our 11 mules over a 60m ravine, and Scott narrowly prevented his horse from jettisoning him down the same precipice when the beast shook off his saddle.

Six days after the avalanche we limped into the small mountain town of Astor where a doctor took an X-ray, wrongly diagnosed that Scott had a broken foot and assured us that the three screws put in after the Ogre break were still in the right place. Four days later we were in an aeroplane on our way home from Islamabad. From the aircraft, we had a final glimpse of the unattainable snow-white trapezoid peak, looming in the distant mist.

■ *The expedition was supported by the British Mountaineering Council, the Mountain Everest Foundation, and Malden Mills. Clothing by Buffalo and Jack Wolfskin.*



Richard Cowper

Doug Scott free climbing on a natural rock spire before the avalanche struck

Gardening/**Robin Lane Fox**

A portrait from beyond the grave

IS THERE life for a garden after death? We all burrow away, planting our musk roses and lavender-blue Aster frikartii; we wage inconclusive war on weeds; we escape for hours from human company and then, like our tender salvias, we keel over.

"I have seen only one certainty in life", said an early Muslim saint: "death". We have to agree that he was right. These autumn evenings have a melancholic tinge: responding to it, I have been on the trail of autumn mortality. Just north of London, I have revisited a garden where the balance between death and continuing life is particularly evident.

In autumn, its former owner is particularly in my thoughts. Autumn crocus looks very pretty at the moment and the bigger flowers of the colchicum are even better. Nobody has ever been such an expert on the family as the late E.A. Bowles. Bowles' life spanned the great age of gardening, from 1865 to 1954. He outlived the later years of Gertrude Jekyll and the formative years of Hidcote or Sissinghurst. Nowadays, they have all been revived and they are household names, even to non-gardeners. Yet Bowles had a sharper eye, ever alert to the small beauties of botany.

Dozens of good garden plants still bear his name, from a grey cotton lavender to a well-known cream-yellow crocus. Nonetheless, he has remained a name for connoisseurs only. Some of us have read his three seasonal books, called *My Garden*: others, perhaps, have seen Bowles Corner in the gardens at Wisley in Surrey. If Bowles had been a woman, not a bachelor, he would be all over bookshops, the radio and the US. When he died, the Bowles line branched into Parker Bowles, whose fame now extends beyond cream-coloured crocuses. What about his garden: has it survived him in any way?

Through his books, readers still feel that they know it intimately. His habit was to describe what he grew as if he was taking us round with a cup of coffee in one hand. The garden lies at Myddleton House in Enfield, Middlesex, just off the junction of the A10 with exit 25 of the M25.

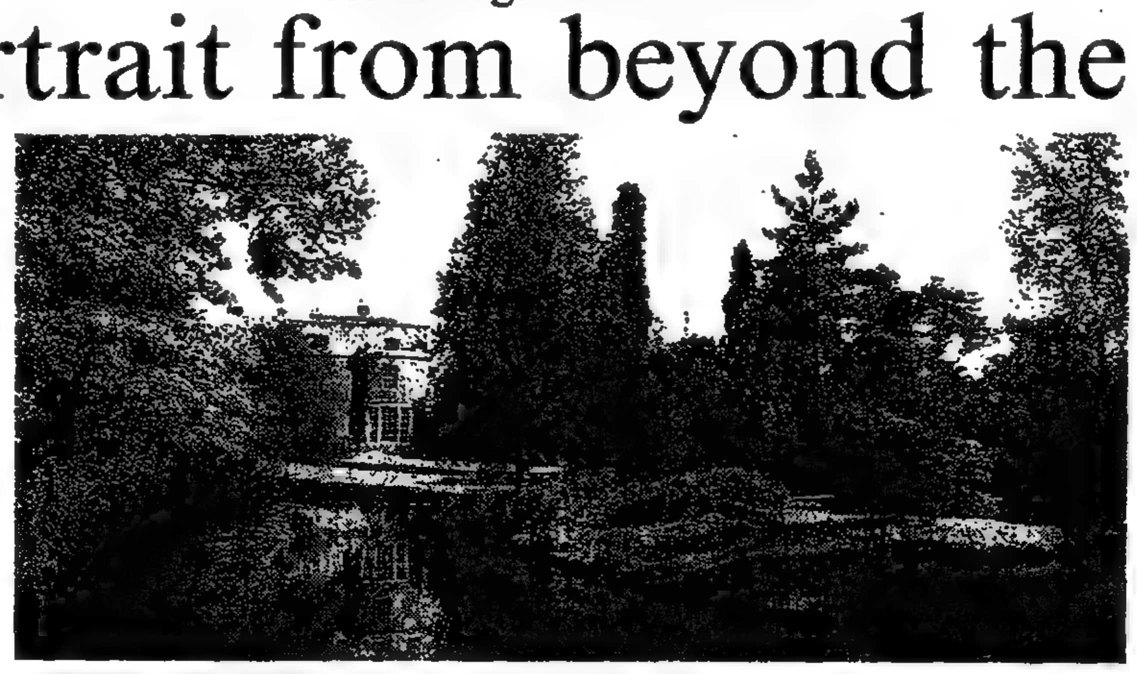
In Bowles' day, it teemed with rarities, not the roar of traffic: his alpine meadow of bulbs was famous; so were his crocuses, snowdrops, irises, anenomes and his rare quirks of nature (his Lunatic Asylum), not to mention his rare trees and shrubs. Through his own writings, you cannot help knowing his habits: his dislike of sweet peas on the dining room table, his habit of going out in January, throwing buckets of water at the trunks of the yew trees and polishing them until they shone.

This month of September was the season for Bowles' bowling: he would scatter narcissi along his drive by bowling them over-arm and planting them wherever they landed.

In 1954, Bowles' famous garden passed to the pharmacology department of London University: in 1968, after years of academic neglect, it sold most of the flower garden to Lee Valley Park. Nowadays, there are civic lamposts up the drive where Bowles once *bowled* narcissi. The Lee Valley Rangers have made themselves at home and have established a Ranger Base in the stables.

Since 1984, there has been talk of refurbishment and approaches to Wisley and the new conservation movement for plants. I have heard good things about the new iris beds whose varieties have names such as Indian Pow-Wow. Lee Valley inherited a difficult legacy after 14 years in London University's inadequate hands and a further 16 years of restraint has not made the task easier. Admirably, Lee Valley and the Rangers open the garden daily throughout the season; they provide leaflets, some labels, an incongruous glasshouse from a show in Glasgow and a budget for garden staff.

As a test-case for a garden's afterlife, Bowles' has enjoyed an unusual life: neglect, then attempts at restoration from an unusual quarter. The site is a muddle and I am not impressed by progress, even if funds have been scarce. I suspect that a no-spray policy has been popular, leaving the weeds untamed; it looks as if no strong personality has taken a firm grip and pulled the garden back into shape. In these days of conservation, the opportunity ought to be taken. Bowles's garden is one of the few which a famous owner described so carefully that we could recreate its extraordinary interest in this new, plant-finding age. If run ruthlessly, it would not be impossibly expensive.



Bowles' garden at Myddleton House: a time-capsule of past great ideas

Nonetheless, all is not melancholy. To an ear trained on Bowles, there are echoes which survive the grave. Sometimes you catch them on the old pergola where roses grow with names like Silver Moon and Paul's Perpetual White: Bowles enjoyed single-flowered roses and two of his favourites, Anemone and Bracteata, still climb where he planted them, up the old stone cross of Enfield, which he rescued and conserved in his own garden.

In the neighbouring jungle, his carnations have gone from the box-edged beds, although anyone competent could reinstate them. The grey-leaved tree-poppies are still going strong with those single white flowers like newly-fried eggs. Nearby, you hit on a tangle of oddities, a white passion flower, a big clemetis armandii, a badly-damaged celletia with its thorns, a red colquhounia and behind the wall, a climbing dicentra.

The river has changed course: the hosta-bed continues; the irises have been updated; Bowles might not care for all the Rangers' bedding-out, but I certainly cared for the sight of his marvellous long-flowered Wistaria, still growing by a former river-bridge and twisting upwards far into an evergreen tree. Even among neglect, old echoes suggest new tricks: I now want wistaria up my awful leylandii cypress.

Among the weeds and the ever-present snowberry, I began to relish the fragments of immortality, made famous by his writings. The cyclamen are still there and so is the old conservatory, now housing the pair of ornamental ostriches which used to stand by the river. The lake looks forlorn and the meadow is gone, but there is still a tantalising sweet chestnut tree and a plant or two of oxalis Bowles White whose long season of flower has been delighting me in my garden this year. There are even some of the lemon yellow daisies, which Bowles' books recall as a special present.

If the owner returned, he would be philosophical, perhaps in one of his homely, but arch quotations. He might, however, ask us why we should expect our gardens to survive us and whether this quiet subsidence was not better. For gardens to live on, they have to be retouched by somebody else, like a canvas for ever in an artist's workshop.

I have, however, learned what to plant in order to cheat life's only certainty. In the corners of the flower beds and in a crack of the paving round Enfield Cross, great clumps of autumn colchicums still thrust into the open, leafless but wonderfully white and purple in the sun. If you want to cheat mortality, plant colchicums for the future. They will survive a University, and be friendly to a Ranger Base and the passage of 40 years. Bowles loved this family and must have planted some of these great survivors: in September I find it reassuring that some of them are still flowering, in the jungle of the garden whose owner understood them best.

As They Say in Europe

Between the Maginot lines

***James Morgan** takes the measure of Franco-German frienship*

FRANCO-German relations have been at heart of much of the news this week because of the GATT imbroglio. The alliance is central to almost everything but to see what it really means I took a look at *Le Monde* and the *Frankfurter Allgemeine Zeitung*, the continent's two most influential papers, to see what France and Germany really mean to each other. How much space do they devote to the other's news and what do they say?

As a balancing item there was a similar test of the importance of British items in their output. So I took a period covering 17 issues of each newspaper (do not ask why 17) from the end of August until the middle of September. That period was unusually dull in all three countries and thus made for a fair comparison: anti-Gatt demos were the most newsworthy events to come out of France, the results of the Bundesbank interest rate cut from Germany.

In that period, the *Frankfurter Allgemeine* devoted 366 column centimetres to France. I was not wholly surprised, for reasons I shall explain later, to find that Britain received 541cms, nearly 50 per cent more, in spite of providing even less news.

Le Monde in that same period gave Germany 523cms, much of it Gatt-oriented, while Britain received 432. There was a difficulty here because I excluded from the count of *Le Monde's* cross-Channel coverage a huge tourism feature on Herm in the Channel Islands – "*L'Eden* 'made in Britain'." Had that been included the British score in *Le Monde* would have reached some 600cms.

What the papers write about indicated a lot. Apart from Gatt and German interest rates, the French also follow neo-Nazi matters and the general course of German domestic politics. The *FAZ* devoted nearly half its coverage of France to Gatt-related topics ("It is scandalous that a single, small interest group in a single country, France, can block a successful outcome to this vital and significant trade round.") The rest was domestic politics and some cultural events.

The structure of British news in the two papers was wholly different. In both it is heavily oriented to personalities and traditional institutions. *Le Monde* was interested in the Edinburgh festival, the former Chancellor Norman Lamont, the novelist A S Byatt, the Trade Union Congress annual conference and mad cow disease. The Germans took the death of the historian E P Thompson very seriously and devoted much space to the BBC, the royal family, the Oxford English dictionary and Harold Pinter's new play.

This research confirms me in an impression I have held since I began writing this column. Franco-German friendship is a complete farce and both find the British more interesting than they find each other. Significantly the biggest single item about France in the *FAZ* during the relevant period was a feature under the sub-heading, "Is Franco-German friendship at an end?" It was based on a study of a series of books or articles (mainly French) on this very matter. The answer to the question seems to be "Yes."

A central element in the discussion was an interview the publisher of *Der Spiegel*, Rudolf Augstein, gave to *Le Figaro* in August. Some recent commentaries from Augstein had led him to be portrayed across the Rhine as a "cynical French-hater." But he told his interviewer, "We don't accuse you, the French, of the worst things. The worst was done by us. But you have to realise: Even before Hitler there was a hostility between French and German nationalism... The opposition to any form of German unity is a component of your history, from Richelieu, to de Gaulle and Mitterand. As Clemenceau significantly put it, 'There've always been too many Germans on this earth.'"

The account of Augstein's remarks ended with an attack on the "Paris intellectuals" and the "intellectual arrogance of French chauvinism" which were "among the most unloved [French] export products."

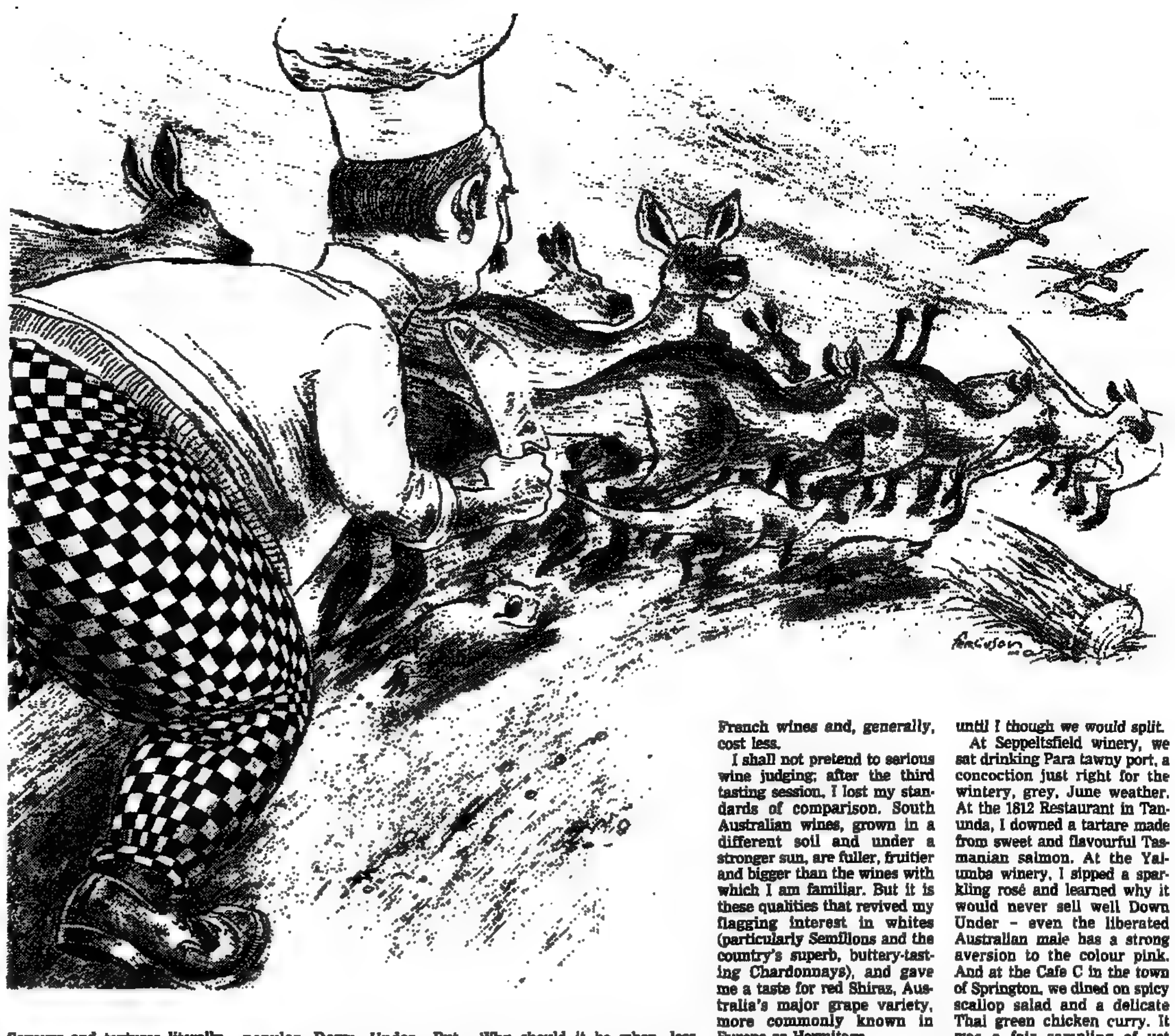
The frankness with which the Germans express themselves about the French has no mirror image. French commentators are so aware of their national dependence on Germany that they tread very carefully. As de Gaulle noted, "The Germans are with us every minute of every day.".

But fortunately I have developed a research tool that gives an infallible guide to underlying French attitudes. Try it yourself on the next Frenchman you meet. You will find the response takes the following form – a sudden intake of breath, a strange pallor suffuses the face, there's some choking, a hand clutches the brow and finally a roar struggles from the confusion. Just say: "Last summer I was in Nice, walking along the Promenade des Anglais, and I wondered why there wasn't a Promenade des Allemands."

■ *James Morgan is economics correspondent of the BBC World Service.*

Slap another smoked 'roo on a barbie for me

***Nicholas Woodsworth** finds that Australia's 'new food' is very much to his liking*



STARTLING food discoveries sometimes come at unexpected moments. I made one not long ago as I streaked through the sky from London to Australia, and it is this: if you travel east at 500 miles an hour, not only do you go through two sunsets and two dawns in 24 hours – you also go through two breakfasts, two lunches and two dinners. This might not sound earth-shattering but it had me worried. I do not like the idea of travelling faster than my own stomach.

Hardly were the Medoc and lamb medallions disposed of than the odour of hot coffee, bacon and croissants drifted from the galley. My companions on the flight – four women journalists from London – seemed wholly unperturbed by these endless offerings and tucked in heartily. But then, they are hard-bitten food-and-wine professionals who make their living through eating. For them, this was just a limbering-up exercise in preparation for the rigours ahead.

I, on the other hand, was merely a token male and food amateur who had come along to see what ordinary visitors might make of Australian fare. And, since food is a product of geography and social history, to discover what it might say about Aussies themselves.

First stop, Adelaide. For most visitors, Sydney – that brash, bustling, and most cosmopolitan of cities – provides an initial contact with the continent. Adelaide is something else; the only small town I know of with a population over 1m.

With old-fashioned and unhurried civic pride, red brickwork and Victorian iron filigree, Adelaide exudes an air of colonial Australia. Not even its endless and sprawling bungalow suburbs modernise the image wholly. Tidy, staid, conservative, intolerant of airs or pretensions – they push the city straight into the 1950s.

Does the food match the dated atmosphere? Walking past the cheap and cheerful cafés of Hindley Street, the main drag, I suspected it would. Here, amid pool halls, tattoo parlours and noisy, hard-drinking pubs were dozens of establishments of the egg-and-chips, beans-and-chips, sausage-and-chips variety – the kind of places that, world over, have satisfied the stolid Anglo stomach and soul since colonial days.

'Nouvelle cuisine flopped miserably when introduced to Australia'

Evidently, there is a strong element of Australian cuisine that remains faithful to its English meat-and-two-veg origins. The further you get from the larger centres of population on the coast, the simpler the whole idea of food and eating becomes. At Alice Springs, in the dead centre of the continent, such concepts are simplified to the irreducible minimum; witness the dress code sign outside Bojangles restaurant: "Neat casual or bugger off."

Even in civilised South Australia, though, the famous Adelaide "pie floater" – a meat pie in a soup bowl of mushy peas and topped with gouts of tomato sauce – retains its proud place. It is an item best bought, only half sober, from the mobile vans that set up on the city's street corners at sunset. "After a few tinnies on a cold winter's night, there's nothing better than a floater," one demure young waitress told me.

I followed her prescription and found, on the few-tinnies level by which such things should be judged, that she was right. None the less, if you move off Hindley Street and look just a little bit harder you will, without much problem, discover a world of sophisticated food and drink that belies wholly Adelaide's provincial image. For the visitor, it is the start of a culinary trail that leads to some of the most innovative and intriguing cuisine found anywhere.

Where does Australia's more exciting cooking come from? Not, we began to realise over dinner at Adelaide's Universal Wine Bar, from British tradition. That was not the source of the tender, charcoal-grilled squid and marinated red pepper salad I was eating. If Anglo-Australians had been left to their own devices, the Universal's menu today would not be enlivened by garlic and olive oil, aubergine and shallots, scallops and fresh-water crayfish. It would be duller even than the Adelaide suburbs.

The cuisine of the antipodes has moved on since the 1950s, however. Before that time, Australians suffered from what was known as "cultural cringe," a deep-seated malady that associated things superior with things British. Conversely, everything domestic was regarded as inferior.

The result was as depressingly predictable as a Vegemite sandwich: tinned and heavy foods, fried foods, preserved foods, foods with their natural flavours and textures literally boiled out of them. It was only when the first large waves of immigrants arrived from Italy, Greece, Lebanon and Turkey that Australians discovered freshness.

Based on fresh ingredients, cooked rapidly and prepared without pretension, Mediterranean cooking fits in well with the country's relaxed, outdoor life-style (nouvelle flopped miserably in Australia). It shares something with the back-yard barbecue that has always been popular Down Under. Put plainly, the best Australian cooking is a kind of barbie-style cooking with refinement.

By contrast, Adelaide's water supply, drawn from the city's rivers and reservoirs, is not very refined at all – indeed, locals say there is a meal in every mouthful. But then, water is not drunk in great abundance at South Australian restaurant tables. Neither, these days, is beer, nor the sweet and grapey Moselle that Australians used to favour. Why should it be when, less than an hour's drive from Adelaide, is the Barossa valley, one of the country's finest wine-producing areas?

France has lost a steady customer. In the Barossa – home to 48 wineries and a centre for a third of Australia's premium wine output – I wandered around vineyards lit up in autumnal shades of red and gold and found that, with a little experimentation, Australian wines can give as much pleasure and satisfaction as French wines and, generally, cost less.

I shall not pretend to serious wine judging; after the third tasting session, I lost my standards of comparison. South Australian wines, grown in a different soil and under a stronger sun, are fuller, fruitier and bigger than the wines with which I am familiar. But it is these qualities that revived my flagging interest in whites (particularly Semillons and the country's superb, buttery-tasting Chardonnays), and gave me a taste for red Shiraz, Australia's major grape variety, more commonly known in Europe as Hermitage.

At St Hallet's winery, I revelled in Old Block, the product of Shiraz vines planted by German Lutherans at the beginning of the century. At Maggie Beer's delightful Barossa valley restaurant, the Pheasant Farm, I tasted an even more exotic form of this rich, flavourful, heady variety, a sparkling wine by Rockport called Black Shiraz. It is so big and full of tannin and fruit flavour that it quite swept me away.

So, too, did the meal that it accompanied. Like all Australian chefs of note, Maggie Beer believes in using freshly-prepared local produce. No victim of cultural cringe, her menu features gum-tree smoked kangaroo on duck-egg pasta. I found it as good as the best smoked venison.

Even a decade ago, such a dish would have horrified her compatriots. The kangaroo might be a national icon but, in the past, most Australians have rated it fit only for dog food. Today, kangaroo is just one of the items of "bush tucker" – indigenous foods, hunted traditionally and gathered by Aboriginals – in which there is growing interest.

I could go on. Certainly, our group did – on and on and on until I though we would split.

At Seppeltsfield winery, we sat drinking Para tawny port, a concoction just right for the wintery, grey, June weather. At the 1812 Restaurant in Tanunda, I downed a tartare made from sweet and flavourful Tasmanian salmon. At the Yalumba winery, I sipped a sparkling rosé and learned why it would never sell well Down Under – even the liberated Australian male has a strong aversion to the colour pink. And at the Cafe C in the town of Springton, we dined on spicy scallop salad and a delicate Thai green chicken curry. It was a fair sampling of yet another trend: Austral-Asian cooking.

Brought once again by the country's newest wave of immigrants – Vietnamese, Thais and ethnic Chinese – this is a fusion of styles that is fast changing the culinary scene. The nation is finally realising that its future lies not with the distant west at all, but with the Asia that lies on its doorstep.

I shall not go on, though. We were still in South Australia. Ahead lay Victoria and New South Wales, both reputed for the sophistication of their cuisine. Already, I was exhausted and ready to go on the Scarsdale diet.

My suspicion on the plane was right: Australia is just too much for one sitting. But given a while to catch my breath, I shall be heading Down Under once again. The culinary exploration of Australia is no mean achievement. It took a Cook, after all, to discover it in the first place.

■ *Nicholas Woodsworth travelled with British Airways. His trip was arranged by Austravel (50 Conduit Street, London W1R 0NP, tel. 071-734 7755), a specialist in Australian holidays.*

Food to warm the hearts of Britain

***Philippa Davenport** cooks comfort foods for autumnal evenings*

WHEN EVENINGS begin to draw in and bonfire smoke gives way to ground frost in the garden, a yearning for comfort foods begins.

Game pies and stews make splendidly meaty offerings when the game season gets properly under way. In the meantime my thoughts turn to less carnivorous dishes.

Regional recipes such as Dublin Coddle, Pan Haggerty and Anglesey Eggs clearly lack sophistication but, like hot water bottles and vests, their aim is not glamour but to supply feelings of wellbeing.

That said, Anglesey Eggs is a more refined dish than the ingredients list suggests. It is sufficiently filling to satisfy a family for supper, but not solidly stuffing. In fact it could be served to lunchtime guests. Two things keep it delicate: a sauce that is silky, not a heavy wallpaper paste, and the lightness of the purée, which stems from a high ratio of leeks to potato.

ANGLESEY EGGS
(serves four)

Quails' eggs are fiddly to peel but two dozen of them nestling in the purée make a pretty alternative to hens' eggs.

1lb floury potatoes; 6 leeks (or more as needed to yield 1½lb after trimming); 6 eggs; 3oz butter; 1 tablespoon flour; ½pt gold top milk; freshly grated nutmeg; 2-3oz Cheddar cheese; a spoonful or two of breadcrumbs (optional).

Peel the potatoes, and clean and slice the leeks, tender green parts as well as whites. Boil the potatoes and steam the leeks over them, cooking both vegetables until they are well softened. Forget about *al dente* in this instance.

Whizz the leeks in a food processor with 2oz butter to make a sloppy green purée. Mash the potatoes, season them lavishly and beat in the leeks.

Make a sauce with the remaining 1oz butter, the flour and the milk. Let it simmer for

10 minutes then flavour it with salt, lots of pepper and nutmeg and 2oz grated cheese.

While the sauce cooks, hard-boil the eggs, shell and quarter them. Spoon the purée into a ring in a baking dish. Pile the eggs into the centre of the nest (sometimes I scatter snippets of ham among them) and pour the sauce over them.

Sprinkle on the remaining 1oz grated Cheddar (or a few spoonfuls of breadcrumbs) and bake at 400F (200C) gas mark 6 for 10 minutes or so until bubbling hot.

PAN HAGGERTY
(serves four/six)

Rosti, crique and other potato cakes are much enjoyed in fashionable circles, so why not our own Northumbrian version? The richness of this dish calls for a large green salad afterwards. A mixture of faintly bitter chicory, frizzy endive and peppery watercress is particularly good.

2lb potatoes; ¾lb onions; 6oz mature farm-made Cheddar cheese; 4 tablespoons fat (beef dripping is traditional, butter and bacon fat are also good).

Chop the onions finely and let them fry gently in two tablespoons of fat in a very heavy based (or non-stick) frying pan about 11-12in in diameter while you peel and thinly slice the potatoes and grate the cheese.

Away from the heat, lift the onions from the pan. Add a little more fat to the pan and spread half the potatoes over the base. Season them well, lay the onions over them and cover with the cheese. Finally spread the rest of the potatoes over the top, seasoning well as before.

Cover the pan (a double-thick sheet of foil makes a good lid) and steam-fry over a fairly low flame for, say, 30-35 minutes until the vegetables are tender.

Remove the foil and turn up the heat towards the end to drive off most of the moisture and to brown the underside of the potato cake.

Brush the surface of the potatoes with a little fat and slip the pan under a hot grill to brown the top well.

DUBLIN CODDLE
(serves four/six)

This is said to have been a favourite dish of Dean Swift. Some cooks use milk instead of water, which makes for a richer sauce, though the texture can appear a little curdled. The proper accompaniments are soda bread and stout.

1lb sausages; ½lb thick cut streaky bacon; 2 onions; 2lb waxy potatoes; a bay leaf and a bunch of parsley.

Dice the bacon and cook it gently until the fat begins to run. Remove it and stir in the chopped onion. Five minutes later add the sausages. Turn them to coat them with fat. Return the bacon to the pot, add the potatoes cut into chunks, the bay leaf, a couple of spoonfuls of chopped parsley and a good grinding of pepper, but no salt.

Pour on water to come just level with the top. Bring swiftly to simmering point and stew gently (on the hob or in the oven) with the lid slightly askew for at least 45 minutes until the ingredients are very tender but not falling apart, and the "gravy" is reduced and well flavoured.

Lift out the solids and boil down the liquid at the end if there is too much. Sprinkle with extra parsley and adjust seasoning to taste.

A fine taste of Sicily

BROOM AND oleander were in bloom along the roadside when we left Palermo for Menfi in south-west Sicily. Beyond acres of vines and olives, some citrus trees showed yellow – the first hint of the thematic tastes of a Sicilian week of cooking.

A course with Tasting Italy is a dream week for the lazy and greedy. Primarily a cooking holiday, the philosophy is one of mood as much as food: to introduce, along with superb cooking, the Italian sense of the importance of fresh ingredients and mealtimes. "I see people at supermarket checkouts buying tinned potatoes," says Sara Schwartz, one of the partners of Tasting Italy, "and I want to ask them why."

Why indeed, when potatoes tossed in olive oil, interspersed with onion, lemon and garlic, then scattered with coarse salt and origanum and baked, can make your toes curl with delight?

Our course was held in an 18th-century palazzo owned by the Ravida family. The rooms are huge and their church-like smell – one of the bedrooms was formerly a chapel – is enhanced by paintings, frescoes and gilt finery.

We were an eclectic crowd, eyeing one another around our welcome table of bread with lemon zest and sun-dried tomatoes. On a marble slab table was a huge bowl of lemons, and ice-breaking jugs of Pimms-soaked strawberries.

This was not the bakers' dozen of serious foodies I had been expecting. Ranging from 18 to over 60, they included a diesel generator factory owner, a student, a waste disposal company MD; a retired builder and the head chef of a King's Road restaurant. In charge of us for the week was Carla Tomasi, cook and writer.

We were issued with aprons and watched Carla prepare sardines and anchovies. An exponent of the hands-on school of learning, she threw us into the deep end with that tray of unfortunate fish.

Our self-congratulation knew no bounds when we lunched on tender pink and white marbled beans with a rough pesto, anchovies cured in lemon juice, sardines fried around cheesy stuffings, spaghetti with a sauce of sardines, onions, currants and pine nuts. Dessert was wild strawberry ice cream served with strawberries marinated in orange and lemon juice. All this with too much wine and sweet spring water. We slept it off on the beach.

The course may not be heavyweight enough for the really serious foodie. But it was deeply enriching for me and we took away a file full of eminently repeatable recipes along with memories of a slightly crumbling palazzo, flaking frescoes, cool verandahs and new friends.

■ Tasting Italy courses also take place in Piedmont and Tuscany. Prices range from £695-£715 which includes transfers, tuition and all food and wine but excludes airfares. For further information contact Sara Schwartz at PO Box 1930, London W11 2ZU. Tel (071-727 9376 or fax 071-287 2997).

Heather Parker

FASHION

Black is back for a Puritan's night out

But layers of chiffon help lighten the mood, says ***Avril Groom***

IF AUTUMN'S new style has the minimalist, monochrome appeal of a nun's habit, then evening wear can provide some light relief. Dressing for a celebration is, surely, an excuse for some jolly jewellery or the glint of a gilt button?

Not in the view of fashion purists. High evening wear for winter festivities will indeed be rich with beading and the multiple textures of velvet, chiffon and lace, but it will all be black – or the most sombre of medieval shades. And for anything less formal, "plain" is the only word that counts.

Evening wear is the final area to succumb to the new Puritan simplicity. Last winter women who had already pushed their sharp little suits to the back of the wardrobe were happy to step out at night in pert bustiers and short, bright skirts. But now, as the key recessionary mood lingers, even celebration is in soft focus.

Although evening style is simple and unadorned, it is not heavy or dull. Instead it is based on a delicate lightness and the finest of fabrics. In the past, the philosophy of evening wear has too often been "more is more" with attention on decoration rather than clever cut. But a plain dress relies on the cutter's art and the choice of fluid, flattering material for its success.

The way to achieve subtle evening fragility is with transparent but matt fabrics, primarily chiffon. The newest way with sheers is to layer them. One layer is completely transparent; two are tantalisingly veiled; three and you might as well wear a solid fabric unles the outer one is cut to float free and create a diaphanous lightness. Single-layer chiffon is often contrasted with a rich, deep texture in the form of dévoré, or cut, velvet.

Chiffon now is about softness, not nudity. At a summer party in Cambridge in the 1960s I remember earnest male undergraduates crowding round a girl better-known as a dollybird than a brainbox. They were probably not hanging on her every word – she was wearing the university's first recorded see-through blouse over nothing at all.

By the hardened, unshockable 1980s, a sheer blouse over a worn-to-be-seen Wonderbra was standard nightclubbing gear for teenagers. The inevitable reaction has now set in. The underpinnings for chiffon should be as concealing as possible and the puffed-up cleavage has all but disappeared.

So, along with sheer layers, you may need some new lingerie. The Wonderbra illustrates the point. At fashion-forward stores, its sales are now being matched by those of Gossard Glossies, £11.99, another 1970s revival but this time a totally smooth, plunge-fronted, lightly underwired "no-bra" style that gives a natural shape.

Alternatives include Jockey's plain cotton, almond-coloured, elasticated edge briefs, £3.99, and crop-top, £6.50, though this has rather wide shoulder straps, and Knickerbox's cotton/Lycra, cup-stitched crop-top, or camisole, both £6.99 from their Brilliant Basics range, available in black or white. There is also the more grown-up version of visible lingerie, such as Marks and Spencer's pretty black or burgundy stretch lace tank top, £9.99, which looks equally good under chiffon or on show.

Sheer layers are strong at every market level. Chanel and St. Laurent revel in them for couture, but realistically the most luxurious is Flyte Ostell, who produces plain and beautiful layers, either tunic-style or bias-cut and sometimes mixed with satin or cashmere. Ellis Flyte was previously a lingerie designer with a gift for bias-cutting while Richard Ostell was known for high-quality, understated daywear. Their teaming has proved a winning combination. Zoran is the more exotic American equivalent, available at Browns in London, and English Eccentrics has had a great success with its classical motif dévoré chiffon and velvet.

Evening transparency need not be expensive. Jigsaw, Whistles, River Island and Marks and Spencer all use synthetic chiffon and georgette to great effect and at reasonable prices. Ex-film designer Andrea Galer has a new ready-to-wear range of simple evening pieces in heavy silk crepe but will make to order in other fabrics and sizes.

■ *Make-up from the Velours colour collection by Christian Dior. Pictures by Tony Boase at the Hotel Bel-Air, Cap Ferrat. Flights London Stansted to Nice courtesy of Air UK.*

Silk velvet dévoré tunic, £256.50, matching trousers, £307.60, both by English Eccentrics from Harvey Nichols, *Knightsbridge, London SW1 and Matches of Wimbledon. Silk chiffon scarf by Morgan and Oates, £75 from* Harrods, Knightsbridge, SW1. Bag by Natasha Barrault, from £200 to order from Browns, South Molton Street, W1. Thong sandals from a selection at Russell and Bromley

Silk chiffon dress, £470, matching tunic, £335, both by Flyte Ostell from Liberty, London W1, Browns, South Molton Street, London W1 and A la Mode, Hans Crescent, London SW1. Beads, £22.95 from Fenwick. Sandals from a selection at Pied-a-Terre

Bias-cut chiffon dress, £125 from Whistles. Silk crepe trousers, £295 from Andrea Galer, England's Lane, London NW3. Stretch lace tank top, £9.99, from Marks and Spencer. Beads, £24.95 per string from Liberty

Rise of the new legging

LEGGINGS could be said to be the new jeans – in other words, a staple. There can hardly be a female wardrobe that does not sport a pair. *They are what we put* on when we get dressed on auto-pilot when we're off to potter round the shops.

They can be teamed with skinny rib knits or cropped sweaters if you are young and lithe, with thigh-covering *shirts or sweaters* if you are not. With Lycra they accommodate almost every size and shape. They come dark and serviceable for everyday, or slinky and velvety for glamour.

But what happens to the legging now that fashion has done a *volte-face* and gone all soft and feminine? Like all successful species, the legging has evolved and adapted itself seamlessly to the new fashion environment and is still on all the smartest shelves, alive and kicking.

The new-look legging this winter comes in many moods: satin-backed crêpe, silk chiffon, velvet, linen, wool or cotton. The newest are something of a hybrid – a cross between a legging and a *proper pair of trousers. For* the young, slim, trendy and long-legged there is the flare – French Connection do some marvellously slinky ones in rich dark chocolate and dark blue as well as black at £69.99. Hue, as ever on the ball, has some in a thick matt soft but unclingy nylon/Lycra mix at £55 a time.

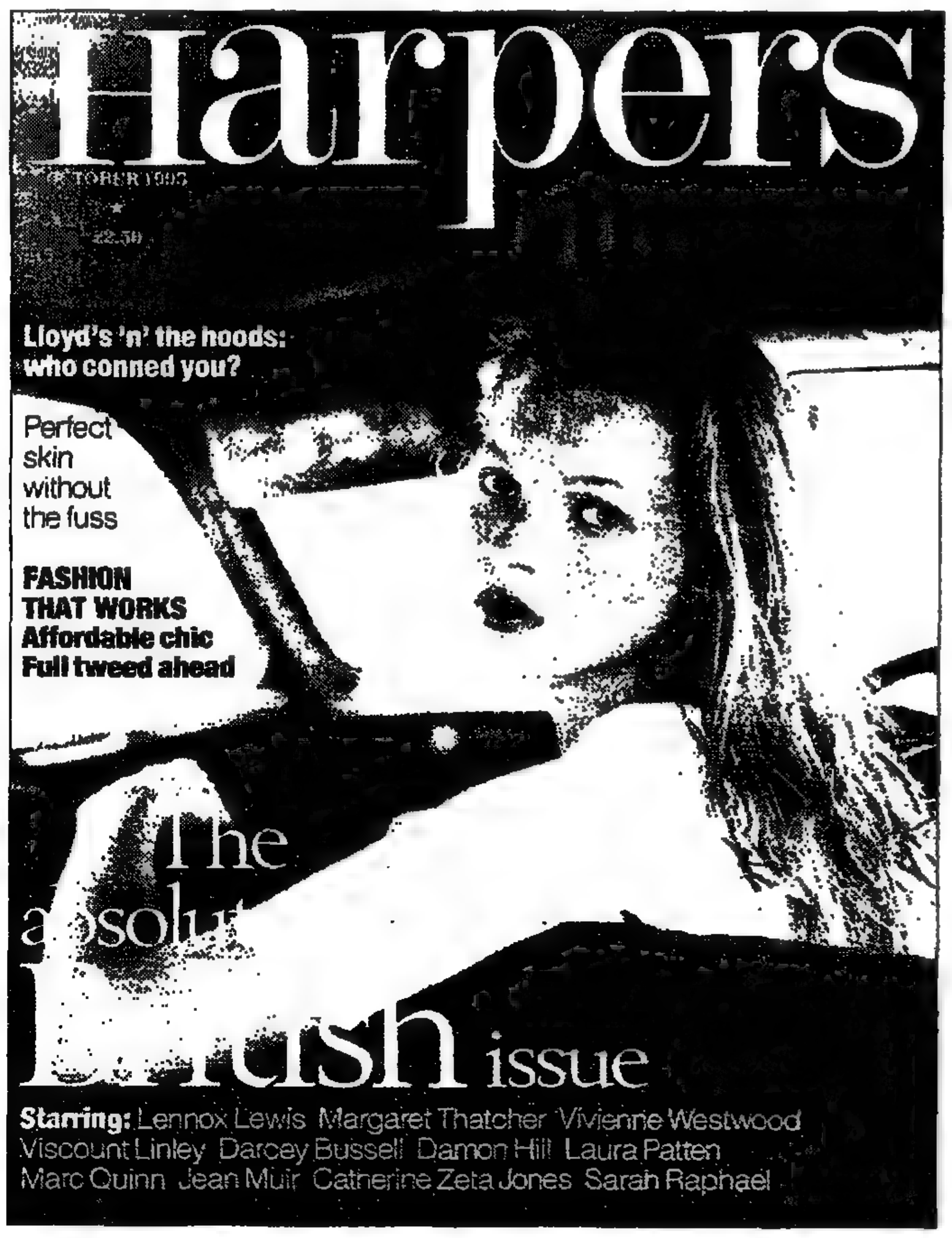
In sporty mode there is even more choice – from Ally Capellino's Hearts of Oak leggings in ecru ribbed cotton, with something of the élan of a jodhpur, at £60 a time to Artwork's beautiful indigo coloured cuffed cotton jersey versions at £63.

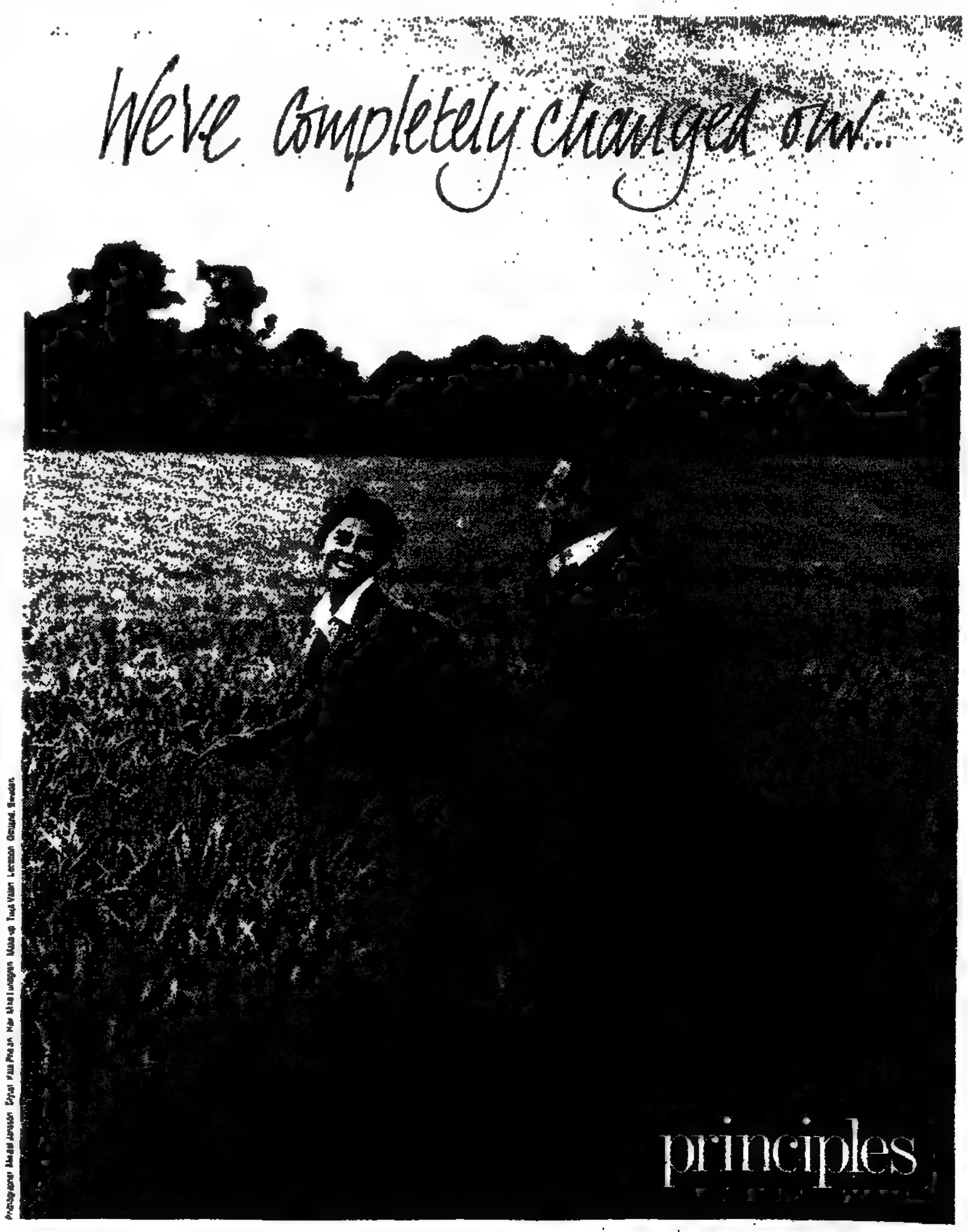
You will like the look but maybe not the prices. Whereas once leggings seemed to cost only roughly twice the price of tights nowadays, unless a plain chain-store version suits you (and Marks and Spencer is still doing plain classic leggings for about £16 and its jodhpur versions for £19.99) the sky's the limit. *However, for* comfort they *still* beat the classic pair of trousers hands-down.

Lucia van der Post

The Weekend Fashion Page

explores the statements people try to make about themselves in their dress and the functions of fashion in society. It also stays closely in touch with changing tastes and ideas about what it takes to look good and feel comfortable.





The tailors who have reinvented British style

***John Morgan** looks at the innovative designers who have breathed new life into the Savile Row suit*

A FEW years ago the outlook was bleak for the British tailor. The late Nicholas Ridley, then Minister of Environment and unable to understand why all men might not want to wear suits from Marks & Spencer, changed the rating system of the tailor's premises from light industrial to full retail status which threatened, either to put most of the West End tailors out of business or, at least, banish *them to a shopping mall* at Heathrow Airport.

Savile Row's quietly dwindling clientele appeared to consist mainly of large men from north America and small ones from the East. Young British men appeared to be perfectly happy to slouch around in shapeless suits, a couple of sizes too big for them. It seemed that the great British sartorial heritage of simple, understated, wool clothes that stretched back to Beau Brummel was doomed.

But gradually, increasing numbers of stylish young men could be spotted all over London sporting rather good, obviously British, clothes. These *outfits encompassed the traditional* British trademarks: a natural shoulder line, accentuated waist and a gentle flare on the hips. They were often made from tweeds and worsteds. But they were decidedly modern products from young tailors able to combine traditional tailoring techniques with a contemporary sense of style.

"Men had become very educated about fashion. Whereas once they would have invested in the security of a designer label, they began to have faith in their own sense of style and looked to a tailor to realise it," says Timothy Everest, probably the most successful and best known of the new tailors.

From modest beginnings three years ago, he now boasts over 1,500 clients ranging from foreign advisers to John Major to television presenters. His bohemian *atelier* in a shabby, picturesque corner of Spitalfields is a quantum leap away from Savile Row.

"I love the traditions, the craft and the quality of the Row, but feel it's important to add something more modern, *accessible, affordable* and relevant to the way men live today," he says of his contemporary style.

His sentiments are echoed by Richard James, a designer who made his name creating exuberant ready-to-wear interpretations of British classic style and who operates a successful made-to-measure service from his shop in Savile Row.

"Tradition is wonderful, but it is not a sacred cow. The modern tailor has to appreciate how men's lifestyles have changed: they are used to wearing lighter, softer clothes and no longer need a 20 ounce tweed; they have given up worrying about wearing brown *shoes with blue suits and love* mixing unexpected fabrics, patterns and textures," he says.

Georgina Godley, who switched from ready-to-wear to custom-making, feels the tailoring revolution has only just begun. "I love to break new ground by using modern high tech fabrics to create clothes that have the authority of tailoring but the comfort of sportswear," says Godley, whose more notable commissions include a stretch worsted suit with built-in spats, a prisoner-of-war boiler suit, a lavender bouclé and angora jacket and a multi-pocketed micro fibre travelling jacket that can roll into a ball without creasing. Her prices start at about £800.

Even pop musicians, are *starting to turn to tailors to* create an image. "They like the idea of employing a tailor to create a look that won't be seen on other artists," explains Ozwald Boateng, whose streamlined, futuristic, updated-Steed-like clothes are worn by Seal and members of what he describes as the "acid jazz scene", happy to pay the £500-£1,000 his suits cost.

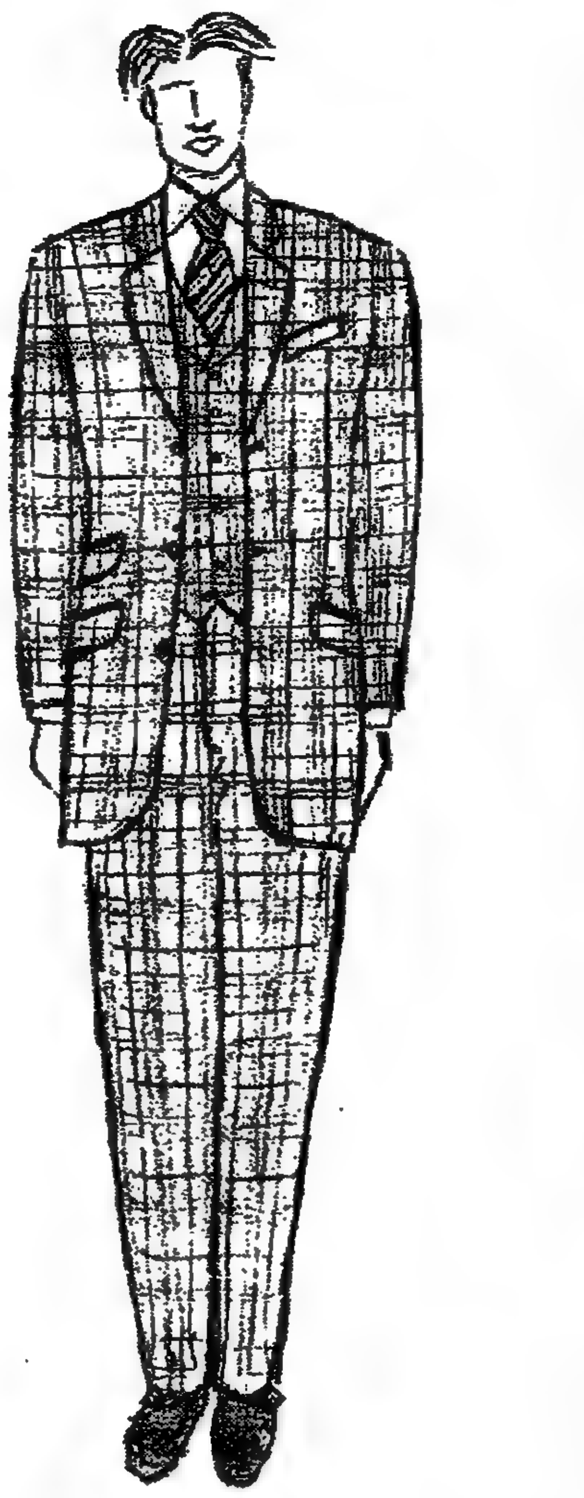
All the tailors I spoke to sense a disenchantment with expensive designer fashion and say sensible pricing has contributed to their success.

"Men are looking for good value and service, at an affordable price and are questioning paying for high overheads and marketing campaigns. They know what they are paying for, when they order a suit," says Everest, who charges from £650 for a fully bespoke suit.

Richard James, whose suits cost from £850, says, "I do not know anybody who wears designer suits now. Men's dressing has returned to the idea of personal style rather than an *imposition* of somebody's else's ideal."

Both also admit they have been lucky with fashion's swing to a more shaped and slimmer silhouette for men: a look that is hard to achieve off-the-peg,unless you have a perfect figure.

However, like many trends, the new tailors include some charlatans and well-meaning individuals, who although big on ideas, often lack tailoring skills. Many never get the hang of measuring accurately, interpreting a fitting properly and appreciating the proper "balance" of a garment. Others promise a fully "bespoke" suit, but deliver a bad, factory-made pastiche of the real thing.



Affordable panache: new-style bespoke from Timothy Everest

You should therefore find out exactly what is on offer before you order. A real bespoke suit, made to the old method perfected in Savile Row, is built by hand from complex layers of canvas, stitching and padding. It conceals a man's bad points and enhances his good ones. It should fit perfectly and be so comfortable that lesser garments feel clumsy by comparison.

Below this ideal of the tailor's craft, there are many levels of manufacture ranging from the perfectly respectable to the very depressing indeed. To avoid confusion, Everest offers two very distinctive levels of make: a bespoke service, which is "as good as you will find on Savile Row" and a City Line: an up-graded version of a basic City suit, which although machine-made, offers many of the nuances of bespoke such as real button holes, some hand-finishing and proper ermazine linings.

This type of suit is less soft in appearance than the hand-made variety, and is proving popular with men who need well-priced, hardwearing basic suits for business. "There are a lot of men who would like to have clothes that reflect their personality, but who don't want the pomposity and expense of Savile Row," explains Serena Kelsey, whose hand-made bespoke suits start at £500 and whose peripatetic, made-to-measure service, has proved so popular that she has opened a shop, midway between the City and the West End. A similar company, Norton & Townsend is also enjoying considerable success with *its visiting service that offers a* range of classic made-to-measure styles which are made-up in a factory in Yorkshire.

The renaissance of the British tailor is particularly remarkable as the success of its practitioners, most of whom work as small traders without any major backing, has coincided with the biggest recession in the fashion industry for years. In addition to an emphasis on good value, personal style and service, the new tailors are offering a quintessentially British style. James says: "The vast majority of our clients are British."

■ Timothy Everest, 4 Princelet St, London E1 6QB. 071-377-5770.
■ Richard James, 37a Savile Row, London W1X 1AF. 071-434-0605.
■ Georgina Godley, 071-727-2217.
■ Ozwald Boateng, 274 Portobello Road, London W10 5TE. 081-964-1465.
■ Serena Kelsey, 68, Lambs' Conduit Street, London WC1N Tel: 071-404-1616.
■ Norton & Townsend, 71 Bondway, London SW8 1SQ. 071-735-4701.

■ *John Morgan is Associate Editor of GQ Magazine*

Soft, classic bridle wear

IF YOUR work-a-day wardrobe is up-to-date and what you need is a little sprucing up on the casual front, then it is worth knowing that Gieves & Hawkes, has produced a good collection of soft and subtle casual wear.

Gieves & Hawkes has taken "The Glory of the Turf" as its theme which has allowed it to indulge fully in a rich panoply of equine imagery of the sort that seems so to appeal to the *English – classic riding* and *hacking jackets, once* made in heavyweight 22 oz cloths to keep out the bone-chilling winds, are now reworked in soft lambswool. Overchecks are used in ways that co-ordinate with knitwear and shirts.

Suits come in traditional birdseye fabrics or, for a bit of turn-of-the-century panache, Prince of Wales' checks. Colours are rich and autumnal. If, like me, you feel that horses are all very well in their place but you can live without their image on ties and socks and sweaters, then fear not, there are checks and Argyles, Fair Isles and plains.

If posh (or would-be posh) countryhouse visiting is on your agenda then these are the sort of clothes you need – just duff them up a bit so they do not look too new or too good.

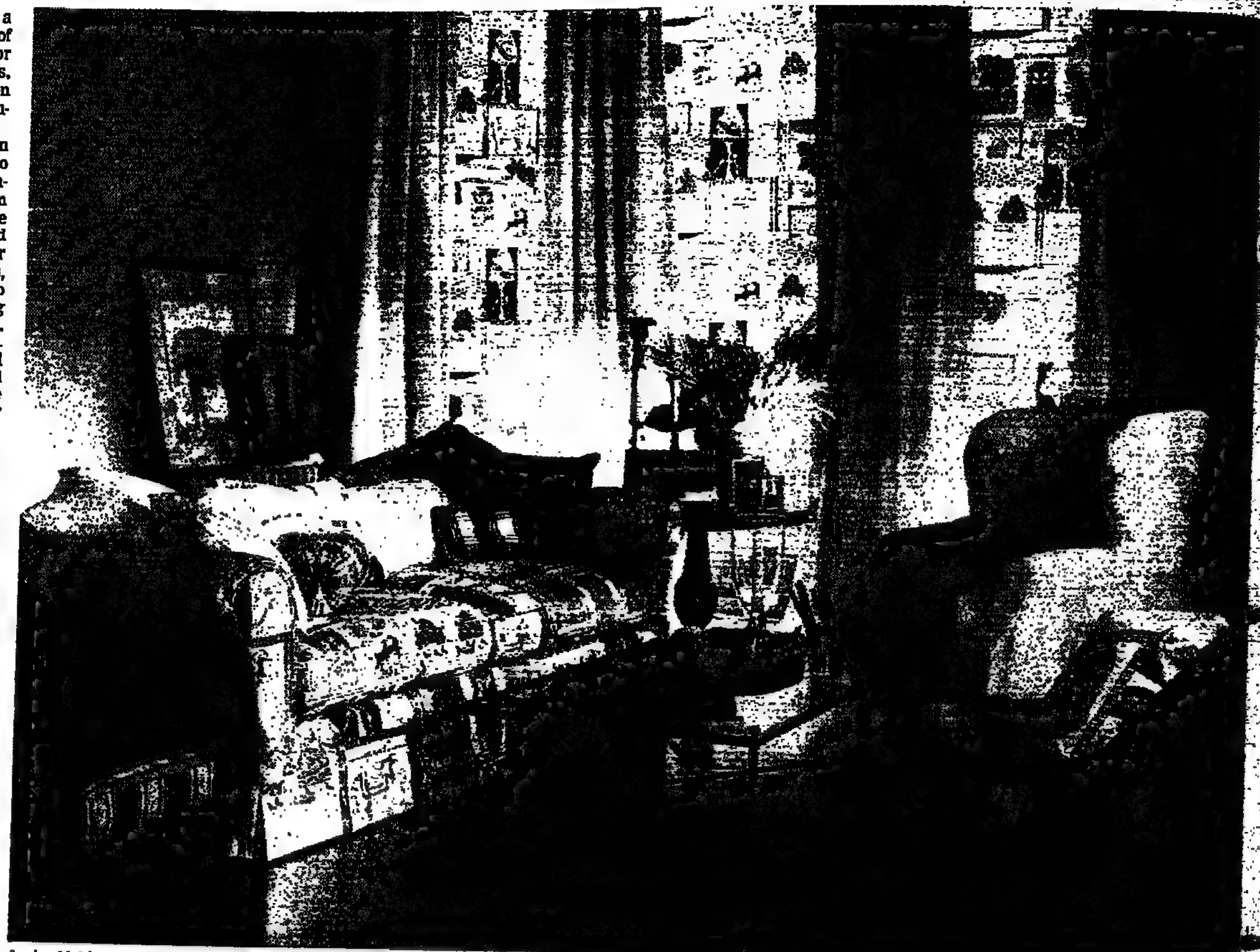
Photographed here is a camel cashmere sports jacket (it also comes in navy) for £895, worn over a lavender roll-neck sweater in merino wool for £95 and pure wool dark brown trousers at £125. The lambswool/angora tartan scarf is £25. All from Gieves & Hawkes, No. 1 Savile Row, London W1.

Lucia van der Post

What the best-dressed walls are wearing

Lucia van der Post previews Decorex, the biggest and brightest interior decorating show that at last is open to one and all

Byron & Byron's colourful curtain poles



A mix of intricate pictorial prints and Khalasa checks from Jane Churchill's Indian Summer range

IT HAS ALWAYS been a mystery to me that one of the UK's finest interior decorating exhibitions, Decorex, has traditionally been closed to its ultimate customers – the public.

Rather as the glittery fashion shows are only accessible to those with impeccable credentials (in other words, those in the trade) so Decorex, where the latest in swags and chintzes, kitchens and designer bibelots is laid out before us, has always been open only to those in the interior decorating trade. This year, however, sense has at last been seen. Now those who long to attend what really is the best and easiest way of seeing a whole range of interior trends can for the first time do so.

Decorex is on at Syon Park, Isleworth, west London and though it opens to the trade today on the evening of Tuesday September 28 there will be a private view and champagne reception (sponsored by Perrier-Jouet) for anyone who feels it is worth the £20 ticket.

All proceeds will go to Shaftesbury Homes, a children's charity that helps disabled and disadvantaged children from inner city areas. Tickets can be reserved by telephoning Shaftesbury Homes on 071-720 8709.

What, though, I hear you ask, will be on view? Previewing an exhibition that has not yet happened is, as I have learned to my cost, a tricky business but if last year's show is anything to go by then the standard of taste, flair and exhibitors will be very high.

Here you should find the perfect opportunity to see which way the decorative winds are blowing, to catch up on the small and new companies that are doing original, idiosyncratic work, and to compare fabrics, colours, styles.

Decorex is also a good chance to find out what exactly an interior decorator can do for you. Traditionally the British have been wary of buying-in the skills of interior decorators – whether from a sense of latent puritanism or a shortage of cash, it is hard to say – but interior decorating in this country has for too long been thought to have a faint whiff of transatlantic excess.

However, anybody who has ever tried it will have found to their cost that putting a house in order requires much, much more than a gentle dabbling in pretty paints and fabrics. It is usually *very* hard work. For every minute spent sifting through swatches of fabric, something like 50 has probably to be spent chasing up suppliers and sorting out the duller but infinitely more important practicalities: plumbing, heating, lighting and ventilation.

Interior decorators can take all this off your hands – for a fee, of course, and herein lies the rub. When prosaic matters such as cost are mentioned interior decorators as a breed seem to have a wonderful way of looking fey and conveying, just ever so haughtily, a distinct reluctance to discuss such unaesthetic matters.

This is where the IDDA (the interior decorators and designers association) can come in handy. It will have a manned stand at the show where advice will be dispensed – everything from how charges should be fixed to how to choose an interior designers and just what exactly he (or she) could do for you.

Those who cannot get to the exhibition can write to IDDA, Crest House, 102-104 Church Road, Teddington, Middlesex TW11 8PY, enclosing a 9in by 4in s.a.e. for a free informative leaflet on "why you should use an interior designer".

So what seem to be the current trends for the coming year? Two companies with a reputation for finely-tuned design antennae (Jane Churchill and Designers' Guild) have drawn on Britain's links with Colonial India for their new collections and each, independently, has arrived at the same name: "Indian Summer."

This, you should note, is the India of the Raj and the Maharajahs, of silks and satins, of brilliant ochres and terracottas, sapphire blues and iridescent golds – not the peasant India of the rough-hewn tables and the simple block-printed cottons or Madras checks.

The Jane Churchill Collection, photographed above right and on view at Decorex, features a whole collection of Indian-inspired fabrics – from the spectacular mix of pictorial designs on the sofa, reminiscent of the school of Indian miniature paintings and called Indian Summer, to the Khalasa check at the window, a heavy cotton linen blend in a choice of colours. Prices range from £18.50 to £29.50 per metre. Indian Summer sells for £23.50.

To go with the fabrics and the mood there is a collection of wooden and decorative accessories – from wooden pots and ceramic urns to carved chests, candlesticks, rugs and baskets. The collection is on sale now in all Jane Churchill shops.

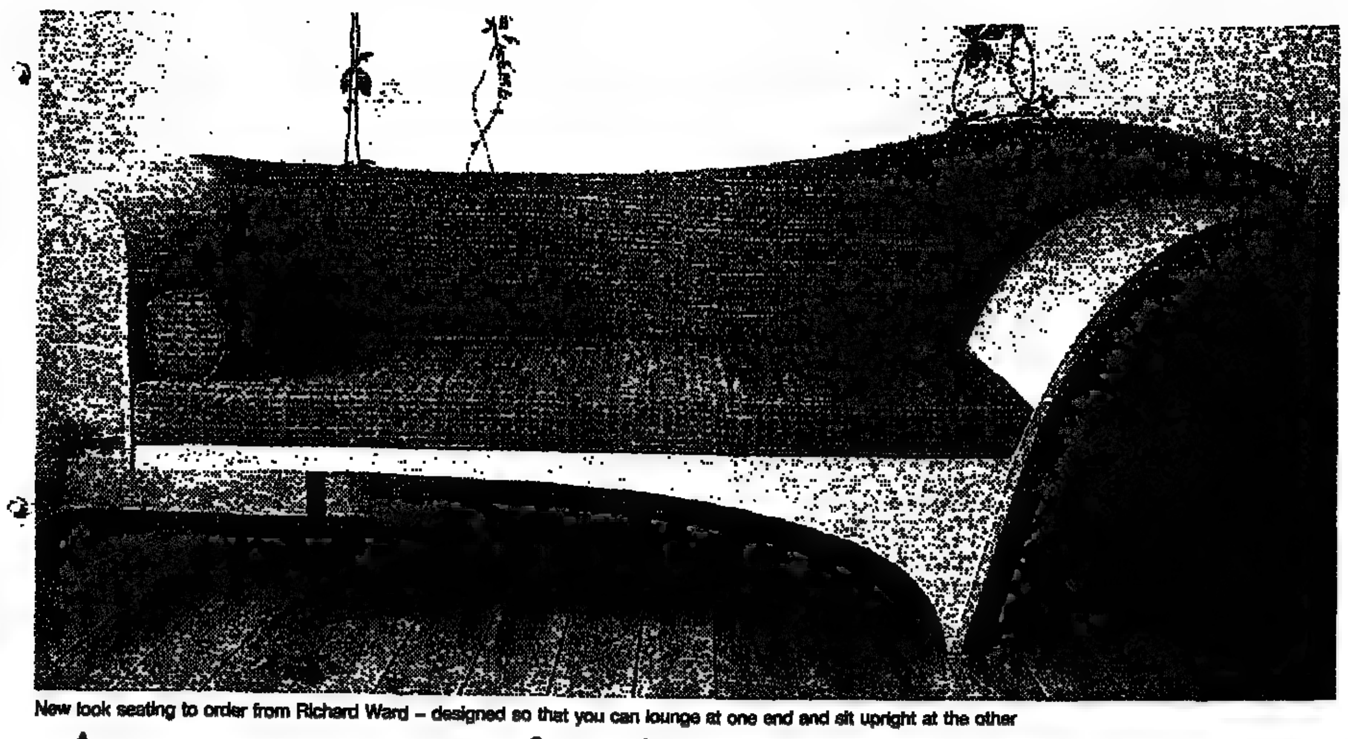
Designers' Guild is not exhibiting at Decorex, but its Indian Summer collection, too, is already in its Chelsea shop (271-277 Kings' Road, London SW3). Photographed below left is a selection of its blue and white bedlinen (fine Egyptian cotton sheets with a blue spotted border, blue and white checked pillowcases and duvet cover and an appliqued bedcover) and some of its richly-coloured checked fabrics. The collection includes prints, woven silks, velvets and wallpapers, all clearly inspired by the art, textiles, architecture and history of India. Prices range from £15 per metre to £52 for the cotton velvets.

Finally, if you feel that all this sumptuously coloured fabric needs something special to set it off, consider Byron & Byron, a company specialising in what it calls "curtainalia" which has developed a wonderfully decorative range of finishes for wooden curtain poles (photographed top left). Using the Victorian technique of decoupage, in which cut-out shapes and illustrations are veneered on to furnishings and furniture, it has grafted a selection of paper finishes on to the poles. The result is colourful, original and indubitably different.

Prices range from £114 to £350 a set, depending upon design and measurements. Byron & Byron has a small showroom at 4 Hanover Yard, off Noel Road, London N1 8BE (tel: 071-704 9290). Also available from John Lewis.

Bedlinen from the Designers' Guild Indian Summer collection

HOW TO SPEND IT

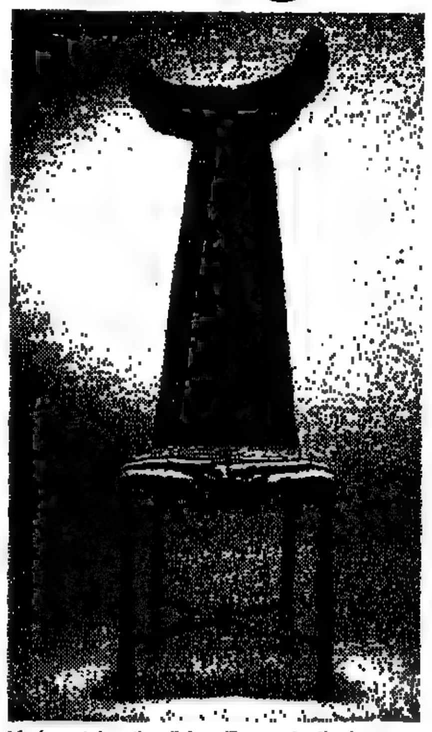


New look seating to order from Richard Ward – designed so that you can lounge at one end and sit upright at the other

Are you sitting originally?

FOR SOME TIME now furniture and interior designers have been exploring the world of myth and legend, using symbols and imagery from astronomy and alchemy, from fairy-tales and fables. Designers such as Paolo Guidi and Katherina Harlow explore the metaphysical world of the Renaissance mystics, while the style of the French designers Bonetti and Garouste is heavily laced with references from the realm of primitive myth.

Tim Chitty and Simon Bacon, too, love delving into themes from ancient myths and legend but they apply it thus far in a small, though admittedly important, area – chairs. Their small design making production company is called "Chairs" and it specialises in . . . yes, chairs. All are produced in limited editions, all are traditionally made by hand and all are filled with references to myth and legend.Photographed right is Medusa. Medusa is made from an ash frame and velvet or hand-painted suede is used for the upholstery. Pictures of Medusa come with a little caption of soft-sounding words – The Source/First born/bearer of dreams/ the softness of sleep/the bane of content. Quite what that all means I'm not entirely sure but it sounds harmless enough, if a little potent for a mere dining chair, however original, to carry.



Medusa: takes the dining dilemma by the horns

But I have to admit I like the chair. It is an original, yet functional and practical, solution to the problem of the dining-chair and a welcome change from the serried ranks of Provençal, pseudo-Chippendale, heavy Victorian or steely modern that more frequently grace the contemporary dining-room.

If Medusa doesn't seem quite YOU there is always Hecate which has a back topped by a huge crescent moon. Or what about Achilles – or Inducement. . . .

All the chairs are hand-made to order only, and orders take between four and six weeks. Chairs is at 10a George Road, Guildford, Surrey GU1 4NP but for those going to Decorex at Syon House next week the range can also be seen on the Bosanquet Ives stand there.

Still in an utterly contemporary mood, Richard Ward's sofa, upholstered here in a new Firifiss Contemporary Textiles fabric (Capella from the Columba range, £42 per metre), has a laminated birch ply frame with a maple veneer and is made to order only. Contact Richard Ward at his workshop at 72 Graham Road, London E8 1BX, tel: 071-729-6768.

Lucia van der Post

Ski rivals jostle for supremacy

***Arnold Wilson** previews the start of the new season on the pistes*

THE HAILSTONES were so big I could have gone cross-country skiing in my garden in Richmond, south west London, on Wednesday night. Is this a good omen for a season full of snow? I must ask my neighbour, television weatherman Michael Fish.

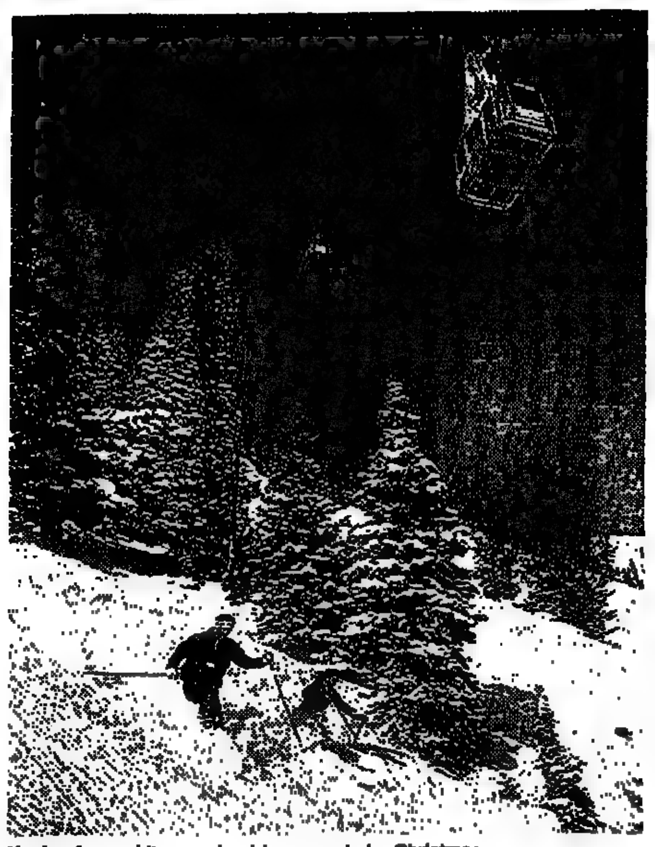
Certainly the season has arrived – in fact it has been steadily arriving ever since the first brochure was sent to rather less than eager readers before *last* winter was even over, I seem to recall. Did last winter ever really end?

Neilson's early brochure landed on my desk in London while I was still skiing on last winter's snow. I could hear the thud from Verbier. On the other hand, some operators' "early booking brochures" came out so late that they had hardly reached the client's doormat before the "main" brochure arrived with a clatter on top of it.

Crystal has incensed Thomson this year by proclaiming the company as Britain's "biggest and best ski specialist" and "offering the UK's biggest ski programme". Crystal adds that the 260-page brochure features more resorts (105 in 10 countries), more regional airports (13) and more fully-catered chalets (131) than "any other operator".

Thomson's brochure has a mere 195 pages covering around 70 resorts. However, having a bigger brochure does not mean Crystal will sell more holidays than Thomson. Do not expect Thomson to be dethroned from its position as brand leader.

Between them, Thomson and Crystal have more than 400 photographs of skiers skiing in their brochures. So it is intriguing that Finlays Chalet Holidays has produced the (almost) impossible: a ski brochure with only *one* picture of a skier skiing in it – and a tiny one at that.



Hoping for a white – and not too crowded – Christmas . . .

Nevertheless, it is a pleasant brochure: there are photographs of lots of skiers not skiing (leaning on poles, carrying skis, lying in the snow, having lunch on the balcony *after* skiing etc).

Apparently, according to Richard Finlay, pictures of skiers skiing are "difficult to come by". A remark which prompted Paul Chase Gardener, managing director of Bladon Lines, to retort lightheartedly: "You mean you have to *pay* for them?"

So what of the season ahead? Ski Solutions, the leading specialist travel agent, suggests that Christmas, though hopefully white, is going to be a bit of a nightmare.

"Christmas Day and New Year's Day both fall on a Saturday," observes Lizzie Norton, the company's director. The formula she dreads is this: "Awkward dates plus high demand equals limited availability." The result? "A bewildering farrago of different departure dates and holiday durations."

However, in spite of a terrible time for some four and five-star hoteliers last March, ski business is booming – at least for the festive season. "Even clients who advise us that money is no object cannot be certain of getting precisely the accommodation and dates of their first choice," says Norton.

With Switzerland, France and Austria looking costly there is considerable interest in Italy, where a good rate of exchange is helping a skiing renaissance, and North America, where the likes of Vail and Breckenridge, Colorado (with a new fourth mountain, Peak 7, to show off this winter) and Whistler and Banff/Lake Louise are selling well.

Alpine Answers, the new kids on the ski specialist travel agent block, suggest that Italy's gain is Austria's loss, with an increase in bookings to Cervinia, Livigno and Sauze d'Oulx, "where the apres ski is less expensive than in similar Austrian destinations."

According to Hilary Jackson, high-altitude French resorts may also be taking a share of skiers whose usual haunt is Austria. This would narrow the gap still further between Austria, which in Britain always outsells the other ski nations, and its traditional rival, France.

The two countries might even end the season neck and neck, in spite of on-going jokes about the size of French apartments and the lingering Gallic shrug.

Safety is a big issue this year; the bloodcurdling way in which some people ski is alarming many skiing fans. After nine British fatalities on the slopes last winter, skiers are being urged to slow down, drink less at lunchtime and be more thoughtful about other skiers on the mountain.

In a survey last month almost half of the Association of Independent Tour Operators (AITO) 37 ski operators urged that separate areas should be set aside for snowboarders. And 80 per cent of them called for a package of measures including more piste patrols, with powers to confiscate lift passes from dangerous skiers, slow skiing areas and clearer piste marking. Sue Ockwell, AITO's chief executive, says: "The aim should be to reduce accidents on the slopes to an absolute minimum."

Totally mad about otters

J.D.F. Jones on the life of Gavin Maxwell

DO PEOPLE who love animals exceedingly – excessively – have something wrong with them? My question may seem mischievous, but it is likely to occur to readers of this superb biography of Gavin Maxwell, "the otter man" of the 1960s. Crusty old Wilfred Thesiger, that uncompromising Arabian explorer, who once took Maxwell on a journey to the Marsh Arabs, evidently had his doubts about his companion: "Personally I think if people go to extremes where animals become more important than human beings, then they ought to be locked up", he opines, recalling what he described as Maxwell's hysterics over the death of an otter cub they had had for less than a week.

Gavin Maxwell certainly had his problems. He was a grandson of the Duke of Northumberland, a Percy on his mother's side, with a childhood to guarantee neuroses ahead. He never knew his father, slept in his doting mother's bed until he was eight, enjoyed a solitary and idyllic early childhood in the Scottish Lowlands, was traumatised, according to the pattern, by prep school, and suffered a serious illness in his teens.

He was thereafter an explorer (on a modest scale), one of the best shots in Britain, a wartime instructor in the SOE, a shark-hunter off the Highlands, a society portrait painter – and one of the finest nature writers of this century. He was homosexual; he drank, and smoked, very heavily; he seems to have been a manic depressive. He must have had great charm, though he was also disliked by some people for his arrogant manner. His financial affairs were undisciplined. He died, of cancer, at 55.

And he loved animals. Douglas Botting's thesis, though he does not insist, is that he was emotionally atrophied, "for ever an adolescent in his attitude to the adult world, his sexual relations and his interests and enthusiasms". A male friend describes him as "two different people – the respectable public figure (the aristocratic painter, author, ex-Guards officer and member of learned societies) and the less respectable private one (the homosexual, the outlaw, the fearful, repressed, inhibited inner man) . . . The externalisation of his emotional life led to

GAVIN MAXWELL
by Douglas Botting
HarperCollins £22.50, 585 pages

a mistrust of relationships with adults, so that he only felt safe in the animal world, the natural world . . ."

This is the world in which he will always be remembered. As Mr Botting puts it, correctly, "Gavin Maxwell was to otters what Joy Adamson was to lions, Dian Fossey to gorillas, Jane Goodall to chimpanzees and Grey Owl to beavers". (Which goes some way towards the first sentence of this review.)

He came to otters by accident. After the success of his first book, *Harpoon at a Venture*, in which he described the disaster of his post-war attempt to hunt the Basking Shark in Scottish waters, he went off to the Gulf with Thesiger where he produced a very fine travel book called *A Reed Shaken by the Wind*. There he discovered otters, and brought Mijbil back to his remote cottage near Mallaig, opposite Skye, soon to be immortalised by him as "Camusfeàrna". Edal and Teko were to follow.

Ring of Bright Water came out in 1960 and was a colossal best-seller. Why? Partly because it was so well written, partly because it offered escape. It arrived at the beginning of the 1960s enthusiasm for the Good Life; in more respectful language, it coincided with a new interest in alternative life-styles and anticipated what we today call the New Age movement. In Maxwell's words, "I am convinced that man has suffered in his separation from the soil and from other living creatures of the world; the evolution of his intellect has outrun his needs as an animal . . ."

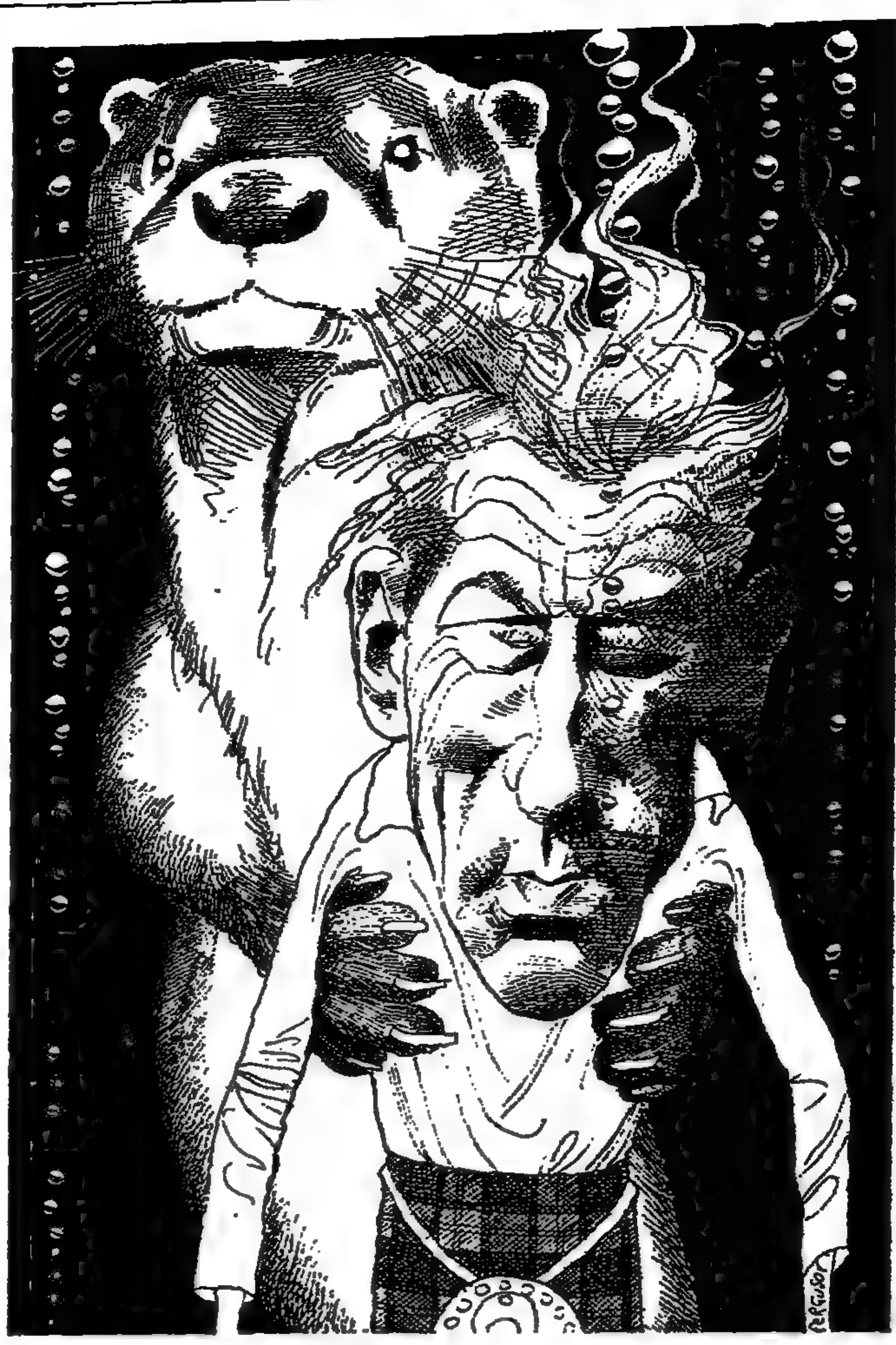
Hence the popular fascination with the story of a man who goes off to live on a northern sea-shore in a remote house with no mod. cons., makes best friends with an otter, and then writes about his fun and games – and sadnesses – with these simple creatures.

It was never, of course, as simple as it sounded, as Maxwell always emphasised. The success of the books in itself destroyed the integrity, and the seclusion, of "Camusfeàrna". And otters were not the only friends. There was the poet Kathleen Raine, for example, still happily with us today, who conceived a grand infatuation for the handsome but unresponding Maxwell; she comes out of this book as a self-regarding witch (and also a very bad poet). Her obsession with Maxwell is no joke because he half-believed in her "powers" and when he discovered she had laid a curse on his life he was ready to believe he had been destroyed. There followed a terrible sequence of tragedy: the otters turned savage, there were financial disasters, "Camusfeàrna" burned to the ground, and in 1969 he died.

Botting, who knew Maxwell for the last 12 years, never forgets that the books are what matter. After *Ring of Bright Water* (a line taken from one of Ms Raine's poems) there were *The Rocks Remain* and *Raven Seek Thy Brother*. He also wrote two excellent books about Sicily, and *Lords of the Atlas*, a superior historical study of Morocco, a country he used to visit to indulge his wilder tastes.

Botting is discrete about the homosexuality and explains that he is respecting the wishes of the estate. He has the sense to caution that this might have the effect of exaggerating the importance of the female relationships, which he feels able to describe more candidly, including a sad marriage. (There is one wonderful misprint or mishearing where Ms Raine, in full poetic flood, describes Maxwell as "the poor Eternus". As a Jungian, she presumably said *Puer Aeternus*.) Throughout a long but never exhausting book Botting writes beautifully, except for a very occasional tendency to overreach himself.

He assures us that there are still otters at Sandaig (as "Camusfeàrna" is known on the maps), though the landscape has changed. Apparently the new bridge to Skye will destroy Kyleakin Island, where Maxwell took refuge for his last year. All his life he knew that he was in search of Avalon, where he might hope to heal Tennyson's grievous wound. Perhaps, for just those first years with the otters, he found it.



Driven by destiny

TOLSTOY'S two great novels are so central to our culture that they have overshadowed his shorter fiction such as *The Kreutzer Sonata*, *A Billiard-Marker's Notes*, a tale about gambling fever, *Strider: The Story of a Horse* and dozens more fine stories. The shorter fiction of the Colombian-born, Nobel Prize-winning writer Gabriel García Márquez should not be allowed to suffer from a similar eclipse. He too works just as powerfully on a small canvas as a large one.

Márquez's epic-narrative of his own people, *One Hundred Years of Solitude*, was his attempt at writing a *War and Peace*; his most recent novel to

STRANGE PILGRIMS: Twelve Stories
by Gabriel García Márquez, translated by Edith Grossman
Jonathan Cape £14.99, 188 pages

be published in Britain, *The General in His Labyrinth*, about a revolutionary soldier whose finest hour has passed, showed Márquez comfortably accommodating himself to the confines of an average-length novel; in this latest book, *Strange Pilgrims: Twelve Stories*, translated from the Spanish by Edith Grossman, Márquez commands our rapt attention through stories some of which are only a few pages.

They were written over the past 18 years, the fruits of the writer's experiences while residing abroad. Some have appeared in an earlier form as articles, film or television scripts. All 12 were re-written within the last few years and the collection was conceived as a unity. We travel from Barcelona to Rome, Paris, Geneva, cities seen in that same pitiless light, exposing both the mean and the miraculous, that illuminated the Colombian jungle and the Amazonian towns and villages of his longer works.

The characters are mostly Latin-American exiles. By living abroad they have escaped from oppression but not from of a destiny that is driving them towards their often premature deaths. Sometimes the death-sense comes to them in the form of a dream or apparition; at other times it is couched in a phenomenon of nature like that land wind that attacks the Spanish town of Cadaqués in summer. In "Tramontana" – the story named after it – the young night-club singer from the Antilles recognises in it the portent of his own imminent death:

"It was a Caribbean certainty that could not be understood by a band of Scandinavian rationalists aflame with summer and the hard Catalan wines of those days, which sowed wild ideas in the heart."

In "Bon Voyage, Mr President" the ex-premier of a Caribbean island living in exile in Switzerland has just as acute a sense of his own mortality but with greater reason. He awaits a cancer operation in a Genevan hospital. The ambulance driver whom he meets on a preliminary visit and who becomes his friend is a fellow-countryman. Theirs proves to be a loaded friendship. The man and his grasping wife are hoping to make a broker's turn on the funeral arrangements.

Indeed throughout this macabre but memorable collection we are never far from the graveyard. "Maria dos Prazeres" is an elderly whore in retirement in Barcelona who identifies with those who dust the names of the anarchist leaders killed in the Civil War on the anonymous tombstones. She is training her dog to weep over her own grave when the time comes.

In "Trail of Your Blood in the Snow" the wealthy young Spanish bride has a cut on a her wedding-ring finger that will not heal. By the time she and her husband, who picked her up on the beach a week or two earlier, have driven through the night to Paris she has all but bled to death.

Equally bloody is the fate of the spinsterly governess in "Miss Forbes's Summer of Happiness". She is found one morning by her young charges – with whom she has been so ponitive – dead in bed from multiple stab-wounds. In "I Only Came to Use the Phone" a Mexican-born music-hall artist's car breaks down in the desert while she is on the way to re-join her husband in Barcelona. She thumbs a lift from a coach full of strangely passive women. It stops at a country mansion where they disembark. The women, mental patients, are being admitted as new inmates of a residential home staffed by warder-like nurses. The unfortunate motorist is doomed to spend the remainder of her life in this virtual prison.

Tales like these have overtones that grimly resonate in the modern consciousness. We witness the way certain individuals seem singled out for a destiny as cruel and senseless as it is unmerited. If your preference is for stories that radiate a measure of *joie de vivre*, the kind that, say, Katherine Mansfield once wrote, then you should stay away from Márquez.

The nearest we get here to a glimmer of humour from him is in "Sleeping Beauty" where the Latin-American narrator cannot believe his good fortune. He has been seated in the aircraft next to the beautiful young woman travelling on her own. He had eyed her covetously, silently, in the airport lounge at Charles De Gaulle during a long delay.

After take-off she hangs a notice saying "Do Not Disturb" around her neck and falls instantly asleep. On arrival in New York she wakes up as the plane lands. The only words she speaks to him are "Goodbye" in Spanish. Destiny up to its tricks once again. In the world of Márquez it never ever does one a favour.

Anthony Curtis

FT Children's Book of the Month

Inside a man-of-war

CAN children's information books be as attractive, as authoritative and as quick and easy to use as the kinds of information that can be obtained from a computer at the touch of a button? One British publisher that has certainly risen to these challenges is Dorling Kindersley, which specialises in publishing information books, usually in large formats, that integrate text, colour photography, and both traditional and highly sophisticated graphics.

This autumn it publishes *The Bird Atlas* (£10.99), a continent-by-continent guide to the world's birdlife, the latest in a series of pictorial atlases for children of eight and above, and *The Dorling Kindersley Science Encyclopaedia* (£25), which manages to make scientific subjects seem both intellectually challenging and readily intelligible. Again, an excellent array of different kinds of illustration helps to bring life to the subjects under discussion: computer graphics and aerial photography, for example.

Neither of these titles, however, quite matches in excellence Stephen Biesty's *Cross Section: Man-of-War*. Stephen Biesty's first book, *Incredible Cross-Sections* (£12.99) was published last year. It was a large-format picture book of a very unusual kind. Having first made careful studies of architectural plans and drawings Biesty sliced through the middle of 18 buildings and machines – the *Queen Mary*, the Empire State building, the *Flying Scotsman*, a tank, and Covent Garden's Royal Opera House, for example – in order to reveal their inner workings. Over a sequence of double-page spreads (two of these spreads had fold-out pages, which

CROSS SECTION: MAN OF WAR
written by Richard Platt, illustrated by Stephen Biesty
Dorling Kindersley £12, 32 pages

meant that the illustration of the cross section of the *Queen Mary* was almost one metre in width), we see what goes on inside the buildings; we see how the building or machine was made; and we also see how it was used: on board the *Flying Scotsman*, for example, we glimpse an extraordinarily dignified gentleman in a waistcoat squatting on a tiny lavatory, trousers round his ankles. This method of presentation yields up a mass of fascinating technical information; and, simultaneously, it demonstrates what it must have felt like to travel on the Flying Scotsman in the 1930s.

Biesty's new book concentrates on a single subject: a British man-of-war of the late 18th century (it is based on Nelson's flagship, *HMS Victory*). Spread by spread, he brings to life how the boat functioned as a war machine, what went on in every reeking nook and cranny of it, under such headings as: health at sea; cooking and eating; leisure and supplies; working sea; battle stations; sleeping; the offices; the admiral. He has again taken a slice through the middle of the ship so that we see it from the inside, deck by deck. Every full-page illustration is crammed with the minutest details of life on board with fascinating incidental information on the opposite page, all linked to something that can be glimpsed in the picture. Under "Navigation and Discipline" we read of "shot rolling", for example: "Ships on the verge of mutiny were known in the navy as 'shot rolling ships'. This was because discontented crew members tried to knock unwary officers off their feet by sending cannon balls rolling along the deck."

Biesty and his partner Richard Platt (who contributes the excellent text) has brought the punishing regime on board a 100-gun man-of-war alive in a way that will make history seem as vivid, fascinating and contemporaneous as the latest computer game.

Michael Glover

To preserve, not destroy

TO SAY that war is a continuation of politics by other means is like saying divorce is a continuation of marriage by other means. Nonetheless the great military theorist Carl von Clausewitz said exactly that. Indeed it was a central tenet of his book on War (1832), which became the sacred text of generations of German staff officer. Clausewitz's advocacy of total war, involving vast, indoctrinated 'citizen' armies which could only be raised by conscription, lay at the heart of the Schlieffen Plan, and of Hitler's Wehrmacht.

Understandably, no serious commentator on war has been able to ignore Clausewitz, and most have succumbed to his thrust. Among such commentators the historian John Keegan stands pre-eminent. His past publications, including *The Face of Battle* – a hugely absorbing reconstruction of Agincourt, Waterloo and the Somme – have altered and enriched our perception of warfare as something hideously logical in its detail. Now comes *A History of Warfare*: not just his latest offering, but a summation of much that has gone before, and Keegan's attempt to secure for himself at least a separation from the Prussian genius.

War, he proposes, has quite as much to do with culture as with politics, at least in its origins. And just as there are different kinds of culture, so

A HISTORY OF WARFARE
by John Keegan
Hutchinson £20, 432 pages

there are different kinds of warfare. Keegan identifies four historic phases of warfare, which he calls Stone, Flesh, Iron and Fire. Each refers to a primary combat resource – in the case of Flesh, horses. And while these provide him with the thematic chapter headings needed to make sense of six millenia of armed conflict, between chapters he conducts mopping up operations ("interludes") that account for the "limitations of warfare" (mainly the weather and terrain), fortification, armies and logistics.

Although the whole book swarms with brilliant analysis and a command of history unrivalled among militaritians, it is the earlier sections of Keegan's lengthy rumination that are the most satisfying. He casts his net very wide. Not only does he examine warfare among the Samurai, the Zulus, and the Mamelukes of Egypt, but, guided by anthropologists, he explores the Yanomano, the Maring and the Aztecs. He also offers an explanation for the disappearance of the Easter Island civilization.

What he finds among these examples is that warfare, while limited by such materials as were available, also limited itself. Conflict and combat were ritualised. Tribal people, aware of survival values as few of us living in comfortable urban homes can be, sought to contain, not to exploit, the damage to life that can be done by even the most rudimentary weapons. War therefore was practised in harmony with the greater needs of the societies it protected. Among the Polynesians of Easter Island such controlled conduct maintained an extraordinary culture for several centuries. It was only when the islanders began disregarding their own taboos, and elected instead for war to the bone, that their society was wasted.

As this was happening, across the Pacific the Japanese, in a startling renunciation of seemingly superior technology, opted to dispense with the gun. Although the samurai had an obvious interest as a priveleged class in keeping to the way of the sword, a generalised apprehension of the consequences of powder and ball informed Japan's decision.

In these contexts, Clausewitzian true, or all-out, war becomes merely a type of warfare specific to some cultures only, if not in fact an aberration. Keegan's problem however is twofold. As he journeys through time toward the 20th century, it is the Prussian mode that comes to dominate all others, not just in the West, but globally. Secondly, as he journeys forward, the more difficulty he has in deciding which wars to discuss, and which to leave alone. There are just too many of them.

But Keegan's actual selection does not help his suite. Guerilla, or people's, war generally gets short shrift. Vietnam is dismissed in less than a page, and there is nothing on Nicaragua, El Salvador or Guatemala. Equally odd is his failure to isolate and debate intelligence-gathering as a primary component of warfare – unlike, for instance, Sun Tzu writing in the fourth century B.C.

Today, although guerilla warfare is likely to persist as a means of waging armed struggle against unequal odds, and although weapons of mass-destruction must inevitably keep alive the possibility of total war in the future, the trend is toward surgical warfare: a synthesis in fact of air-power, long-range missiles, commando tactics and, of course, intelligence.

So the wheel comes full circle in Keegan's favour. It does appear that, wittingly or otherwise, we are rediscovering the fundamental responsibility of warfare, which is to preserve as much as to destroy.

Justin Wintle

Still alive in Old Delhi

ASK INDIA hands, old or new, which of the four great cities of the subcontinent they prefer, and the response will be mixed. Most will plump for the zingy, non-stop, rags-and-riches city of Bombay. Some will prefer the more traditional southern rhythms of Madras, others the intellectual and artistic predelictions of Calcutta. Few are the Indophiles, though, who will show affection for the city that sits baking on the dusty north Indian plain, Delhi.

It is not only a disagreeable climate that breeds indifference to the Indian capital. Modern-day Delhi is not a city of much grace, subtlety or culture. The centre of one of the world's largest state administrations, this is a town of politicians, bureaucrats, of naked ambition, venality and grasping materialism.

Nor does the physical management of the city inspire great admiration. In its race to modernise, the Moslem buildings and monuments of Old Delhi have become neglected and decrepit. In New Delhi the architecture of the British Raj remains, but is increasingly overshadowed by the spread of concrete and high-rises. For most ordinary observers Delhi's abandonment of the past and its gaudy embrace of western modernity have made it just one more over-crowded third-world city.

William Dalrymple, though, is not an ordinary observer. It is measure of his enthusiasm for history that he is able to simply ignore much of the dross of present-day Delhi; by concentrating on remnants of the past he manages to present in *City of Djinns* a sympathetic and intriguing portrait of this age-old city.

With *In Xanadu*, the bestseller that he wrote in 1989 at the age of 22, Dalrymple took us from the Levant across central Asia to Beijing, an attractive blend of amusing traveller's anecdotes and scholarly historical observation. In

CITY OF DJINNS: A YEAR IN DELHI
by William Dalrymple
HarperCollins £16.99, 352 pages

limiting itself to describing a single city Dalrymple's second offering will not have the same wide public appeal as his first.

Yet in one sense *City of Djinns* is a travel book, too – the route is not geographical but, using the same blend of anecdote and erudition, takes us ever further back in time.

Sub-titled "A Year in Delhi", the book describes the first 12 months that the newly-married Dalrymple spends in Delhi as a foreign correspondent. Far from focusing on Delhi daily life – much less Delhi political life – the book concentrates on Dalrymple's real interests – the Moslem world and the 900 year period in which India was ruled from Delhi by a succession of Moslem dynasties, each one more eccentric and picaresque than the last.

Pursuing his historical research across the city, particularly in the narrow alleys, mosques, abandoned ruins and tombs of Moslem Old Delhi, Dalrymple encounters a range of characters who continue, despite modernising pressures, to give Delhi a special character. Pigeon fanciers, Sufi mystics, Moslem healers, musicians, calligraphers, philosophers and a guild of transvestites all provide Dalrymple with entertaining insights into the lesser-known life of present-day Delhi.

Each encounter, though, provides the peg for the real meat of the book, an historical exploration of the city. Beginning with Mrs Puri, his Sikh landlady, and her arrival in Delhi on the great wave of Punjabi refugee immigration at Partition in 1947 – "it was as if Bloomsbury were made to absorb a deluge of mud-booted Yorkshire farmers" – he looks at the shocks that time and again have transformed the city. He has ample material to work with – over the centuries Delhi has been raised to the ground and born again at least eight times.

Dalrymple looks fondly at declining pre-1947 Moslem Delhi, "the grandest of grand old aristocratic dowagers", as it was before it became Punjabi dominated – "all show and vulgarity and conspicuous consumption." He shows us the broad ceremonial avenues and imposing buildings of Lutyen's 20th century New Delhi, at the the same time "patronising and authoritarian" and "the finest cultural artifact created by the British Empire." His gaze at colonial India stretches back through the Victorian age and Mutiny to the wild exploits of the first colonial adventurers and administrators in 18th century Delhi.

Dalrymple is fascinated by the pageant of imperial rule in the city, but he reserves his full enthusiasm not for British empire but for its much longer-lived and more colourful predecessor, Moslem empire. From the "Twilight", the century of Muslim decline that preceded the Mutiny, backwards to the glory days of the Great Mughal emperor Shah Jahan, and still further to the first Moslem invasion of India in 1192, Dalrymple follows the fortunes of some of history's most colourful and unprincipled rulers.

There is nothing dry about this history. Besides describing the wealth, military skill and political cunning that kept these cruel autocrats in power, there are tales of imperial orgies, atrocious tortures, assassination attempts, love affairs, spies, palace coups, magic, court poetry, whirling dervishes, fratricides and patricides. Where else could you find a knowledgeable account of the nature and role of the eunuch in medieval Asia?

It is all fine, entertaining, well-written stuff, thoroughly researched but with none of the stern, academic tone that so many historical profiles adopt. What sustains it, apart from his erudite knowledge of Moslem architecture, medicine, music, military principles, and arcane religious practices, is Dalrymple's sense of historical adventure. Just open your eyes, he says. If you know how to look, even the empty tombs and abandoned ruins of the past are alive.

Nicholas Woodsworth

ARTS

Booker: where characters have survival in common

WE BRITS are proud of our Booker Prize. The Prix Goncourt is latterly being described as the French Booker. But lest we should become too self-congratulatory, too insular about it, this year's panel, led by Lord Gowrie, has ranged well beyond these shores in its choice of the six novels on the short list.

The power to award the prize to any writer in English belonging to a country in the Commonwealth or the Republic of Ireland has been taken very much to heart. Every book on the list has a resonance hundreds, if not thousands of miles, from the sound of Bow Bells.

One of them also has the distinction of being a first novel, Tibor Fischer's *Under the Frog* (Polygon). Fischer was born in Stockport in 1959 to Hungarian parents. It is the Hungarian expression "under a frog's arse down a coalmine" (meaning absolute hell) from which his black comedy gets its title. What is remarkable about it is not so much the heavy masculine humour – it reminded me somewhat of the Czech, Schweik – as the extraordinary authenticity with which it reconstructs the way of life of two randy members of a travelling basket-ball team in post-war Hungary, their recipes for survival in the period leading up to the revolution of 1956.

Most of the leading characters in these novels are survivors of one kind or another. Roddy Doyle's *Paddy Clarke Ha Ha Ha* (Secker & Warburg) is about a boy of 10 in an imaginary suburb of Dublin where previous novels by this writer have been set. The time is 1968; the likeable lad survives the perils of reaching double figures at a time when his parents are splitting up. Doyle has a wonderful ear for child-speak. He has reached this point in the Booker stakes before but in the past has faded a couple of furlongs from home. Maybe this time in a very funny book he does have the staying-power to reach the post ahead of the rest.

If so he will be hotly pursued by two contenders from Canada. Michael Ignatief's *Scar Tissue* (Chatto) is the most questioning of these books as it takes us deep into that heart-rending condition, dementia. He shows us a philosopher son who has to observe his mother slipping further and further away into the land of non-sequitor and repetitions incomprehension. The people involved happen to be Canadian, but the situation and the sense of survival is universal.

Carol Shields is a novelist whose novels only began to appear in the UK three years ago. She was born and brought up in Chicago but has lived in Canada since 1957. Her novel *The Stone Diaries* (Fourth Estate) has, unlike the rest of the list, a strong domestic flavour, a Mrs Beeton-ish quality as she recalls the life of her heroine born in 1905. She goes through the complete cycle of childhood, marriage, widowhood, remarriage, motherhood and old age. Even if it does not win the Prize this one should sell very well.

The Australian, David Malouf, is the big international name here. His earlier book *The Great World* in 1991 took both the Commonwealth Writers' Prize and the Prix Femina Etranger. With *Remembering Babylon* (Chatto) his Booker chance starts rather like Golding's *Darkness Visible* with the emergence into respectable society, that of Queensland, of a barely human creature who 16 years earlier had been brought up by aborigines. His new life among the white Scottish immigrants and impact on them is described in fascinating detail.

Caryl Phillips's *Crossing the River* (Polygon and Penguin) returns to the theme of slavery which he has dealt with in earlier work. Here it concerns the fate of two children. His insight into this condition – the subject of one of last year's winning novels – is equal to that of Toni Morrison.

Lord Gowrie said on *Kaleidoscope* that he wanted the reader of these six novels to feel "passion" coming through them, to "have an experience analogous to falling in love". Passion combines with narrative art in a most interesting, well-chosen list that steers well clear of the expected names: it is on October 26 when we shall know which of these writers has become £20,000 richer.

Anthony Curtis

Well-chosen young casts: Richard Croft and Manfred Hemm in Opéra de Lausanne's production of 'Così fan tutte' at Mézières

Better music in the barn

***Andrew Clark** visits festivals in Montreux and Mézières*

MONTREUX and Mézières both play a part in late-summer cultural life in western Switzerland. Montreux's classical music festival may be the poor relation of the jazz festival, but it has been going for much longer. Mézières, a tidy farming village with an unheated wooden theatre, is where the Opéra de Lausanne decamps for the first production of each new season. By road, Montreux and Mézières are only half-an-hour from each other, but they are worlds apart in atmosphere and artistic values.

Montreux has just opened a flashy SFr 55m (£26m) lakeside concert hall, the 1800-seat Auditorium Stravinsky – designed and built by local companies, and named after the composer who completed *The Rite of Spring* at nearby Clarens. The purpose of the new hall is not just to upgrade the festival, but to attract more conference trade. Its tall glass facade blends well into the crowded shoreline of hotels and apartment-blocks. The interior, however, is a shambles. The front-of-house has been fitted out cheaply – neon lights, low concrete ceilings, ugly air ducts. Thanks to the reflecting glass of the foyer, you cannot enjoy the spectacular view of the lake after dark. There is no parking.

The cavernous octagonal auditorium – coated with the now obligatory bright wood, reflector panels and lighting gantries – shows how little has been learned from previous concert hall design. It is far too big and spread-out. The acoustic has a quirky resonance, magnifying the tiniest thread of sound, soaking up the loudest orchestral climaxes and turning everything else into an undifferentiated mush. Judging from the concert I attended – a Strasbourg Philharmonic Orchestra pot-pourri – the musicians simply could not hear each other. The snappy chords dotted throughout the Poulenc double piano concerto (Martha Argerich and Alexander Rabinovich) were never synchronised – through no fault of the conductor, Theodor Guschlbauer. Wherever I sat, the platform seemed remote.

'Montreux has missed an opportunity, falling for the myth that a concert hall and conference centre are much the same thing'

A waste of money? Not when you consider how truly awful the old Maison des Congrès was. But Montreux has missed an opportunity, falling for the myth that a concert hall and conference centre are much the same thing. Multi-purpose halls mean multiple compromise, and compromise never did anything for art. Montreux is also discovering that a new hall does not necessarily transform the content of its festival. The programme continues to be a haphazard collection of touring orchestras, some of them second-rate.

It is a relief to move from the superficial glamour of one of Switzerland's principal resorts to the rustic informality of Mézières, where interval catering is along the lines of a village fête. The 85-year old Théâtre du Jorat looks like a big barn. The benches may be hard, but the acoustic is natural and there is almost tangible contact with the stage. Because of the primitive technical facilities, producers are forced to simplify their ideas.

This year's opera was *Così fan tutte*, with another of the well-chosen young casts for which the Opéra de Lausanne has become known. At the heart of the production lay Gilles Cachemaille's Don Alfonso, his stage debut in the role. In common with his Golaud and Orpheus in previous seasons, he showed an uncanny gift for balancing musical and dramatic values – spitting out "In cor di femmina" with a contempt that belied his vocal control. What an asset he is – always singing with punch, style and natural command, but never upstaging his partners.

Despite a fine rendering of his reinstated Act two aria, Richard Croft was a prosaic Ferrando. Manfred Hemm's Guglielmo was nowhere near as effective as his Papageno: the voice sounded poorly supported, the top under strain. The girls were well-contrasted – Martine Mahé's pulsating, trouser-suited Dorabella next to Amanda Roocroft's pretty-doll Fiordiligi. Both came away with vocal honours, Miss Roocroft's luscious chest register underpinning a radiant "Pietà". Jeannette Fischer was the spunky Despina.

Helmut Polixa's staging, designed by Carlo Tommasi, made a virtue of the bare wooden walls of the stage, confining decor to a few stylised backdrops, a transparent red curtain and a hydraulic platform. The setting demanded, and received, the clearest animation of recitative, with taut human responses from the cast. The curtain opened on a balloons-and-beaujolais student party of the present day. Alfonso was a handsome post-graduate, Despina the college skivvy. Both knew a thing or two about life and love, unlike the four gullible victims of the wager. Polixa played up the comedy and cynicism at every turn, with ne'er a hint of serious emotion. At the end of the evening, the boys retired to one side, the girls to the other – chastened but none-too-hurt by their lesson at the school for lovers.

Jesus Lopez-Cobos, conducting the Lausanne Chamber Orchestra, chose sensible speeds, and phrased the recitatives flexibly. The *Grange sublime*, as the Théâtre du Jorat is known, had once again worked its charms, inspiring all who work there.

■ Renée Auphan, director of the Opéra de Lausanne since 1984, has been appointed to succeed Hugues Gall as director of Geneva's Grand Théâtre in 1995.

Stuff and nonsense

***Malcolm Rutherford** has an uncomfortable time at the theatre*

WATCHING a play which one dislikes intensely, while others around are manifestly enjoying it, leads to a sense of humility. This has happened twice in the last two days, so since no theatre critic can wish to deter people from going to the theatre, I shall stick mainly to description rather than comment.

The two plays are wildly different. One is *The Life of Stuff* by Simon Donald at the Donmar Warehouse. The other is *Marvin's Room* by Scott McPherson which has moved to the Comedy Theatre after a successful showing at the Hampstead.

Stuff takes its origins from the big bang theory of the universe. There was "loads and loads of stuff floating about," explains one of the characters towards the end. "I think it was hydrogen." Much of seems to have landed anarchically somewhere around Glasgow.

The play is clearly intended as a cry of pain and possibly protest, though of the four letter word kind that one had thought had gone out in the theatre after the deposition of Margaret Thatcher as prime minister. Here is a drugs culture dominated by a local mafia. Or at least I think there is: nothing in *Stuff* is overt.

A relatively small crime – setting fire to a van in order to claim the insurance money – turns into a larger one when it emerges that there was a body inside. It looks like murder. Meanwhile all sorts of other criminal activities have been going on. Someone has had his toes chopped off: they are presented as cocktail sausages and consumed with apparent satisfaction.

There is a persistent mimicing of an affluent society. One man spends his time trying to get into a dinner jacket, but has problems with the tie. No-one else can fix it either, though someone observes that it is a mark of civilisation for a man to be allowed to touch another around the neck without intent to harm. The tie remains untied.

Alastair Muir

Carmel McSharry and Alison Steadman in 'Marvin's Room'

Offstage there is said to be a Volvo with a sawn-off shotgun under the front seat, also a Mercedes. There is an endless supply of drugs and drink. Frank Sinatra is repeatedly on the record player, especially "The Wee Small Hours of the Morning". The economic framework is not explained; nor is the social background. Presumably deliberately, characterisation and motivation are obscure. At the end, the man assumed killed in the van comes back from the dead covered in blood and with his clothes still smoking with fire.

Make of it what you will. There can be no objections to the acting nor to the set and occasionally galactic lighting designed respectively by Neil Warmington and Rick Fisher. The piece is directed by Mathew Warchus, who is also responsible for the excellent *Much Ado About Nothing* still playing at the Queen's Theatre in Shaftesbury Avenue.

★

For the first 10 minutes or so, *Marvin's Room* looks like a pleasant surprise: a re-run of *Doctor in the House* transposed to Florida. There is a wonderfully bumbling doctor called Wally, played by Ian Gelder.

Yet the fun for fun's sake does not last. The play is an American soap written impeccably to formula. Laughs and sobs come in almost equal proportions. A woman is dying of cancer, having nursed her sick father for over 20 years. The estranged family gather round. There are two boys, one goody, one baddy, even a trip to Disneyworld to bring the family together. Sentimentality reigns: patches of *Carousel* without the music.

The performance by Alison Steadman as the dying woman is immaculate and I much admired Carmel McSharry as her Aunt Ruth. Directed by David Petrarca, *Marvin's Room* is a model of its kind made more poignant by the knowledge that the author died of Aids last year.

If someone could combine the professionalism of *Room* with the occasional volcanic energy of *Stuff*, there might be a very good play.

A noble bass

NICOLAI Ghiaurov sang a Wigmore "Master Concert" on Thursday, thoroughly satisfying and therefore remarkable. Recitals by opera-stars tend to be dicky affairs. Sooner or later they get to the operatic arias their fans expect, which are almost always disappointing with mere piano accompaniments: for anything that comes before, they may lack experience or aptitude.

Most often with Italian voices, the first hour or so is filled up by 18th-century songs and perhaps a little Rossini. French artists try on some Gounod, Massenet or Debussy, perhaps even Hahn or Poulenc; Germans inherit the richest song-repertoire of all, and are most rigorously drilled in it. Artists from musical fringe-countries have to live up to grander foreign challenges.

Without any hint of trimming his style Ghiaurov sang only recital-scale songs, all in Russian but for the dry Ibert "Don Quichotte" numbers. His bass is magnificently black, stylish too, and unlike most opera singers he knows how to shift gracefully into recital-mode. Though his short programme might (for all I know) have comprised all the song-repertoire at his disposal, he delivered all of it superbly.

In his opening Tchaikovsky group he was still warming up, but the whole-body reverberations of his voice made themselves powerfully felt even before he reached "Don Juan's Serenade". That drew as much upon his wry urbanity as on the depths of his bass; and his Ibert songs exploited both on a perfectly judged scale. After the interval he explored four Dargomizhsky character-studies – penetrating, ironical, brilliantly varied – with the utmost psychological finesse, and then explored Mussorgsky's *Songs and Dances of Death*.

Those had more sonorously tender, open, shuddery, lethal finality than in any live performance I can remember. By then Ghiaurov was calibrating his cavernous tone exactly to the scale of the hall, with profound effect. There were awed "bravo's" – though his accompanist Pavlina Dokovska was merely alert and competent, not much more. With a partner who matched him in stern depth and weight, Ghiaurov would be mightily dismaying in this grim music.

David Murray

Sponsors: the Friends of the Wigmore Hall

Jazz

Blythe spirits

THE FIERY saxophone partnership of US tenorist Chico Freeman and altoist Arthur Blythe has has been at Ronnie Scott's all week. They have been joined by their regular rhythm section, the raffish Idris Mohammed on drums and Curtis Lundy on upright bass, plus the young British pianist Julian Joseph to make up a quintet.

Freeman and Blythe create an eccentric but compelling sound together. Where Freeman's tenor technique is impetuous but also sensitive, his stout partner ploughs a straighter furrow, making sense of the leader's flights of fancy.

Opening by throwing blue shapes at one another, Freeman moves quickly into sinewy abstraction in the upper register and blurting punctuation in the bottom. Blythe, who has more firmly anchored ideas, drives out a gritty alto sound spiced with blue inflection. Joseph, an instinctive player presumably working with the minimum of rehearsal, provides a colourful backdrop for the reeds, his tidal, repeated motifs set off against sparkling runs. Mohammed is reliable as ever, the stripped down almost martial rhythm driving rock steady behind the ensemble.

The main attraction is Freeman, however, flamboyant and moorish in appearance with his black flowing shirt, earring and custom black horn. Worrying around the edges of a ballad with moist breathing or exploring every crevice of the instrument with gale force blowing, his technique is both difficult and convincing.

It is not a quintet for everyone's taste and the tense reed mayhem which closed this first set did leave some bewildered faces in the club. But for fans of high voltage Freeman driven by the Blythe spirit, it is highly recommended.

Garry Booth

Musical grants

Continued From Page I

ductor would want to find his opening concert featuring the orchestra's funeral march?)

Pity the poor Royal Philharmonic. Nobody even seems to discuss what would happen if it wins the race. For many serious concert goers the Royal Philharmonic's annual programme sits on the shelf gathering dust and that, in essence, has been the orchestra's life story. Under Principal Conductors such as Walter Weller and André Previn, it marked time, filling its diary with revenue-earning business, recordings of film soundtracks or pops concerts.

Regrettably, this has obscured one important point: the orchestra has kept up a remarkably high standard of performance and has a rich blend of sound all its own. To come upon the Royal Philharmonic unexpectedly, on one of those evenings when it has been hired by an outside organisation such as the Bach Choir, is to be struck afresh by the quality of its playing. Since Vladimir Ashkenazy took over as Music Director, its programmes have become more dynamic, but probably too late. Orchestra standards may vary almost monthly, but a reputation takes years to change.

All three of these orchestras have put their bids forward, which suggests that they are resigned to nobody asking the obvious question. Is it in the country's interest, let alone that of the orchestras, for one or two of them to face extinction? It is instructive to look across the Channel. In 1967 France under Pompidou decided that Paris needed an international orchestra. In true French style the government mobilised musicians, finance, conductors (including Karajan and Solti) on a grand scale. But the Orchestre de Paris has been a flop from the start.

Extraordinary, really, that a British Conservative Government should be heading down the same road. For years four more-or-less privatised orchestras have survived – some might say thrived – through cut-throat competition. Now there is to be less competition, less choice, fewer concerts. All the taxpayers' money is to go to the lucky two.

Of course there could still be a last minute reprieve. In the summer the Arts Council announced that it was axing the grants of half a dozen popular regional theatres, such as the Bristol Old Vic and the Theatre Royal, Plymouth. There was an outcry and this week the theatres were reprieved. The Council's music panel could over-ride Hoffman's decision and the full Council could in its turn over-ride the music panel. Hoffmann could decide the case on the basis of the plans submitted by the three orchestras and ignore the London Philharmonic's South Bank residency, or the recent travails of the Royal Philharmonic.

Or he could ignore his brief and decide that the South Bank needs its two orchestras, and suggest that they stay independent but work more closely together on programming, marketing, etc. Alternatively the whole issue could hang fire until the Council carries out its planned investigation, with the BBC, into the nation's regional orchestras, some of which, such as the Royal Liverpool Philharmonic, the Hallé and the Bournemouth Symphony, receive more subsidy than some of the London bands.

The depressing thought is that whatever happens to Hoffmann the variety and quality of the musical life of London will not improve. Audiences at the Festival Hall have declined by 20 per cent over the last two decades, to 61 per cent last season. A marginal change in the funding of the symphony orchestras will not in itself change that.

ARTS

Impressionists by the yard

William Packer examines the choice of a secretive collector

IN THE early years of this century, Dr Albert C Barnes, of Philadelphia, and his partner, Hermann Hille, discovered and marketed a new antiseptic, *Argyrol*, which made their fortunes.

Barnes began collecting in 1912 through the agency of an old painter friend, one William Glackens, who had stimulated his interest in contemporary European art. It was a good time to begin, and while his collection continued to grow, amounting at his death in 1951 to some 2000 works of all kinds, it was in those early purchases that its strength lay. It would seem he bought wholesale, for by 1914 he had 25 Renoirs and a dozen each of Picasso and Cézanne. By 1924 it was more than 100 Renoirs and 50 Cézannes, the final count 180 and 69 respectively.

In 1922 Barnes set up his educational foundation at Merion, near Philadelphia, and the following year put 75 works of his younger moderns, Soutine, Modigliani, Picasso and the like, on public exhibition. And, as is so often the way with the latest of modern art, it was not well received. There is no-one more sensitive than the abused philanthropist, and poor Barnes took the rebuff very hard. Critical access to the collection was severely constrained, loans out of the question, and reproduction grudgingly permitted only in black-and-white.

So it is that the Barnes has been a somewhat secret collection, *honoured more by reputation than direct experience*. Now, however, while the old building is repaired and modernised, Dr Barnes's successors have relented – just a bit and for just this once. Seventy-two works have been chosen to go on tour, and to reflect in particular his first enthusiasm for the work of his near-contemporaries of the *Ecole de Paris*.

Nude veiled from the general gaze: Modigliani's 'Nu couché de dos', 1917, part of the little known Barnes collection

They include some wonderful things and Paris is the perfect place to see them, in the context of the Musée d'Orsay's own remarkable holdings of impressionism and the post-impressionism. The obvious opportunity has been well taken, where possible, to bring in related works from those collections – Seurat's three tiny figure studies for his great composition, *les Poseuses*, for example, and Cézanne's small study for *The Card Players*.

Yet for all the richness of its contents, the French critical response to the show has been decidely cool. Is there something in such criticism after all, or is it simply the reflex of an injured proprietorial pride? Are these lovely things simply too many good fish that got away?

A collection, of its very nature, is never critically definitive but only representative. What it may define, and that intuitively, however, is the nature of the collector's idiosyncratic interest and judgment. And the more straitened the means, so often the more acute is the judgment.

In this case the selection may well accurately reflect Barnes's particular predeliction for Renoir, Cézanne and Matisse, but it hardly makes for a balanced show and the room of Renoirs, with which it opens, does the quality of his judgment few favours. Renoir is notoriously the most uneven of the impressionist masters, and any trawl through his oeuvre is sure to pull in, as here, much dross with the plums. The trick is to enjoy the plums for themselves and forget the rest – which holds true for the entire show.

Even with Renoir there are a magnificent early half-length nude, arranging her hair; the later *la toilette*, with the girl nude and seated cross-legged with her maid behind her; and the enchanting large composition of young men flirting with the girls as they leave the *Conservatoire*. The group of Cézannes is very strong indeed, with a remarkable run of still-lifes and three quite wonderful portraits of the artist's wife that are worth the trip to Paris on their own.

For the rest, *faites vos choix* – Matisse still-life, studio interior and portrait of his wife; an eviscerated rabbit by Soutine; Picasso's harlequins and young girl, nude with a boy and goat; an exquisite Lautrec portrait; Van Gogh; the great Seurat. And among the clutch of portraits by Modigliani of his last and tragic mistress, Jeanne Hébuterne, is perhaps the very best of his late reclining nudes, a marvel of erotic painterly directness and sculptural simplicity.

De Cézanne à Matisse: Masterpieces from the Barnes Collection: **Musée d'Orsay, Paris 7, until January 2, then to Tokyo and Philadelphia: sponsored by la Banque Nationale de Paris and Havas**

Classic time in Ontario

The Stratford Festival began in a tent in 1953 with Alec Guinness and Irene Worth in *All's Well That Ends Well* and *Richard III*, directed by Tyrone Guthrie. The plays ran for six weeks. Forty-two years later the Festival is the largest repertory company in North America producing classics, modern classics and Canadian writing. It has three theatres and the season runs from May to November.

The Festival brings $100m every year into Ontario, yet its subsidy from Provincial and Federal Government is only 10 per cent. The public, hit by the recession, is no longer booking ahead and so word of mouth has become absolutely essential.

The word of mouth for Joe Dowling's irreverent and erotic production of *A Midsummer Night's Dream* has been excellent. Deliberately aimed at a young audience who does not normally go to Shakespeare, Keith Thomas's music embraces rock, reggae, rap, honky-tonk and doo-wop ballad, the latter sung by raunchy Titania (Lucy Peacock) and her back-up group of fairies.

Design is by Haydn Griffin, the real world painted in Fascist black and red, the supernatural a riot of colour dominated by a hugely phallic oak tree, up and down which tattooed Oberon (Colm Feore) and frizzy Puck (Frank Zotter) clamber. The lovers, on entering the forest, are immediately stripped to their underwear. What the production loses in poetry it makes up for in comedy, energy and sex.

Shakespeare's rarely seen *King John* is a satire on political expediency in which kings enter into cynical alliances only immediately to abandon them. Robin Phillips's production, excellently acted and attractively designed by Ann Curtis, brings the history play into the 20th century. Elegant chairs line the sides of the thrust stage. The men wear frock-coats, top hats and uniforms, the women tea-gowns. King John might be Edward VIII; the Bastard wears a kilt. Queen Eleanor is in dowager-black, Lady Constance in dove-grey.

The *tête-à-tête* John (Nicholas Pennell) shares with Hubert (Scott Wentworth) when he arranges for Prince Arthur's murder is chillingly underplayed and the stylised battle scenes all have the unmistakable Phillips stamp. This is the best King John since John Barton rewrote the play for the RSC in 1975.

Stratford regularly gives audiences an opportunity to go to classics they would not otherwise see in North America. A Greek play is a rarity. The strength of David Williams's production of Euripides's *Bacchae* lies in the acting of the two leading roles and in Alan Barlow's design.

The set is simple: female genitalia half-disguised as gnarled, blood-red gates. The actors are heavily masked and robed. Ted Dykstra's Pentheus, a humourless prude unable to sustain his macho image, wears a huge thick-jawed, thick-set mask. He sounds like a college boy and looks like a member of an American football team. His humiliating transformation into drag queen in shocking pink, after Dionysus has persuaded him to spy on his mother's orgies, is both risible and pathetic. Colm Feore's god, a perfumed transvestite, has a huge doll-like mask with a sweet-sneering smile worn at a capricious angle; the body language is riveting. The weakest aspect of the production is the chorus, whose writhing on the ground in grass skirts is not enough to suggest mass hysteria and orgasm.

Stratford, very properly, is committed to staging modern Canadian writing. Sharon Pollock's *Fair Liberty's Call* attempts to understand present day English Canada by exploring her past. The setting is New Brunswick in 1785 and deals with a reunion of Loyalists to celebrate the end of the American Revolution. I did not always follow this flawed but intelligent and powerful play about coming to terms with the atrocities of civil war, but I admired Guy Sprung's production and the acting of the whole company enormously.

There are no longer any plays which can automatically guarantee good houses, but Oscar Wilde is a safer bet than most. is The comedy plays to continuous laughter and Lucy Peacock's Gwendolen Fairfax enunciates her lines so clearly that I thought she must have been directed by Professor Henry Higgins.

The Festival needs a musical to balance the books. This year it has two. There are people who come to see Gilbert and Sullivan and nothing else and Brian Macdonald's tired revival of *The Mikado* has done good business. But *Gypsy*, which was meant to be a popular money-earner, has been a box office disappointment.

Though attendances have been up this year, a major priority for next season will be to get more bums on seats. One route Richard Monette, the new artistic director, may take is to import stars from abroad – which would not be popular with Canadian actors; but it will be difficult to find stars capable of playing classical roles and willing to come for the whole season.

Robert Tanitch

Record review

New wave of Britten

Britten Operas: Gloriana. Josephine Barstow, Philip Langridge, Alan Opie, Yvonne Kenny, Jonathan Summers, Della Jones etc./WNO Orchestra and Chorus/Charles Mackerras. Argo 440 213-2 (two CDs)

Gay arr. Britten: The Beggar's Opera. Philip Langridge, Ann Murray, Yvonne Kenny, Robert Lloyd, John Rawnsley etc./Steuart Bedford. Argo 436 850-2 (two CDs)

Peter Grimes. Anthony Rolfe Johnson, Felicity Lott, Thomas Allen etc./Orchestra and Chorus of Royal Opera House, Covent Garden/Bernard Haitink. EMI CDS 7 54832 2 (two CDs)

A Midsummer Night's Dream. James Bowman, Lillian Watson, Donald Maxwell etc./Trinity Boys' Choir, City of London Sinfonia/Richard Hickox. Virgin Classics VCD7 59305-2 (two CDs)

THIS year's new wave of Britten opera recordings amounts to a gramophone event of considerable magnitude. In the last few months four have been released; two of these offer works previously unrecorded – that is to say, works excluded from the great "Britten conducts Britten" series undertaken by Decca during the composer's lifetime.

Seventeen years after Britten's death, *Gloriana* and the *Beggar's Opera* arrangement arrive on disc for the first time, and the third recorded *Peter Grimes* and second *Midsummer Night's Dream* demand shelf-space alongside his own unforgettable versions. Comparisons can be essayed with the "second generation" of Britten opera productions recently nurtured on our and other stages. New dramatic insights stir listeners' and viewers' responses freshly; the stature of the operas themselves is thereby confirmed.

Argo's *Gloriana* is the big deal here. This was the 1953 Coronation opera, whose gala opening night now secures itself a place on every list of Legendary Operatic Disasters: the gathering of royals, diplomats and toffs proved unappreciative, to put it mildly, of the work's serious aspects, above all its warts-and-all presentation of the aged Elizabeth I. Thereafter *Gloriana* was neglected for a decade; in 1966 a celebrated Sadler's Wells production nobly commenced the business of reclamation. (A Virgin Classics video preserves its 1984 ENO revival.)

The new recording, brilliantly dramatic, passionately committed, will surely take the process a good deal nearer completion. Doubts about Britten's achievement may remain. One may question his overall success in meshing "public" worlds (ceremonial grand-operatic scenes *à la Meyerbeer*, national-opera focal emphases learned from *Boris Godunov*) and "private" (the intense, uncomfortable, deeply characterised relationship of Elizabeth and Essex). Imaginatively as the pastiche touches are applied, certain local-colour elements continue to suggest not altogether flattering parallels with British and Hollywood historical-epic films of the same period.

But on records, at least in so invigoratingly muscular reading as Welsh National Opera's under Charles Mackerras, the music displays a compensating breadth of canvas and distinctness of sound-world that seal up all possible cracks in the dramatic edifice. Re-discovery of the *Gloriana* sound-world brings with it revelation. The brassy fanfares – harmonically teasing, razzle-dazzle yet worlds away from the externalised swagger of William Walton's coronation music of the same period – lend extraordinary psychological resonance to Britten's celebration of Elizabethan royalty past and (as it was in 1953) present. The subtle, disturbing commentary of wind and percussion regularly deepens passages of genteel verbiage in William Plomer's libretto.

Britten's Elizabeth, a superb creation, calls forth a superb response from Josephine Barstow. He wrote it for Joan Cross, a great singer at the end of her career; had he done so for this latest incumbent, a soprano in full possession of a thrillingly secure top register, he would no doubt have exercised less caution in the placing of high notes. When Barstow takes the part for the first time in the theatre (as she is shortly to do for Opera North) the point of those difficult final speech-passages will surely be made clearer. Everything else in the role – grandeur, dry wit, flirtatiousness, brutal malice, generosity, tremors of uncertainty, largeness of vision – is already brilliantly in place.

Around her Argo has arrayed a superb cast, hardly to be faulted, with the luxury of several big names of British opera (Bryn Terfel, Willard White, John Mark Ainsley, Janice Watson) in tiny parts. Philip Langridge, less mellifluous than Rolfe Johnson in the ENO/Virgin video performance, catches all the energy and attractiveness of Essex, impetuous, immature, delicate by turns. Alan Opie's immaculately fluent and finely poised Cecil is wonderful, and even in the small role of the courtier Cecil demands special mention. The WNO Chorus covers itself in glory.

In sum I declare this one of the "must-buy" opera sets of 1993. I would not place Argo's *Beggar's Opera* in the same category. With some disappointment I wrote of the 1948 Britten version – no more orchestral enlargement but a thorough-going re-invention – when reviewing in these columns the 1992 Aldeburgh Festival performance forming the basis of this recording. In the Snape Maltings its artful underpinnings and other echt-Britten felicities took one a long way from the scabrous vitality of Gay's original conception. On records, however, many incidental pleasures come to enrich the impression. With the exception of John Rawnsley's Lockit, the distinguished Aldeburgh cast still seems to me too mild-mannered – and that includes Langridge's expertly delivered Macheath.

I can deal with both the EMI *Grimes* and Virgin *Dream* more summarily. Both preserve individual performances of the highest stature – Felicity Lott's gentle, beautifully sung Ellen in the first, James Bowman's glittering Oberon and Donald Maxwell's uproarious Bottom in the second. Both give vivid, theatre-oriented accounts of the operas in question. Neither achieves the thorough-going impact of its predecessors on disc.

The fact that Rolfe Johnson (Grimes) and Thomas Allen (Balstrode) tried their roles out first in the studio, not on stage, comes through with surprising regularity: one expects a good deal more "personal" shading from both. In the theatre Haitink can be a Grimes conductor of rare solidity and long-lined viewpoint, but here his strengths do not quite add up to a cogent whole.

Max Loppert

Stern Richard, angry Hamlet

Andrew St George reviews Shakespeare in the provinces

FOR THOSE in government who thought Shakespeare had crept out of topicality, *The Tragedy of King Richard II* (1597) offers this apposite observation: "The wavering commons; their love lies in their purses, and whoso empties them by so much fills their hearts with deadly hate." More broadly, the play asks what a political community should do with a leader who presides over divided followers and exiles dissent in this fine *Richard II* at the Royal Exchange Manchester.

The director James Macdonald has focused on clear verse and sumptuous costumes rather than the grand display, recognising that this theatre in the round is no place for elaborate tableaux.

The result is a stern interpretation of Shakespeare's sprawling, brawling pageant. Shakespeare's hindsight looks like the exact science it was when the Elizabethan picture is imposed on the medieval world. Macdonald's production keeps the tang of both, not only in the costumes (Kandis Cook) but in the weight given to the prophecies and the imprecations the characters make. The open sets rely on stark lighting and plain furniture, allowing the action to speak.

The inward naggings of Richard's last scenes have to be earned by the outward political manoeuvrings in the early part of the play. The production achieves both: Richard's loss of control in the Mowbray-Bolingbroke debate, his inequitable sentencing of both, and his fits of kingliness in public contrast with the steadiness of John of Gaunt and the Duke of York, the country's two wise men.

Linus Roache as Richard is all measured pauses and level quietness, although he finds a "kind of ease" at Pomfret Castle with the edgy lines "I wasted time and now doth time waste me." Roache makes Richard a slight figure opposite the tousled Bolingbroke (Neil Dudgeon), a model of purpose and intent.

An intelligent production, as this is, often reworks overlooked or traditionally seen characters. Ewan Hooper's strong Duke of York and James Maxwell's febrile John of Gaunt are the voices of conscience. Their firmness makes Richard and England into archetypes of political confusion, the country sold off, "leased out like to a tenement or pelting farm." *Plus ça change.*

★

The English Touring Theatre *Hamlet*, now at Oxford on its national tour, is a surprising, breathless and unpredictable production built on simple and clean lines. It avoids the theatrical clichés of Hamlet with skull, Hamlet holding mirror up to nature not by passing them up, but by passing through them rapidly en route to the conclusion.

The director Stephen Unwin has a lightly-cut text, a white set, a raked floor and minimal clutter, so minimal that Polonius has to carry his own curtains – a form of 'arrasment. The production's energies are focussed in Hamlet (Alan Cumming), Claudius (Pip Donaghy), and Polonius (Trevor Baxter) who carry the action forward with danger and suspense but keep each scene plausible.

Cumming makes Hamlet angry with himself and disappointed in the world. He stalks the stage, his mind fizzing like phosphorus on water, sparking and smoking. His language is new-minted and his insights fresh. He makes "To be or not to be" come across as a man thinking things through rather than an actor embarrassed to have reached that point in the play.

Baxter and Donaghy play quickfire politicians. They look flat-footed and unconvincing. She is a fine revue artist and actor of Chekhov, most at home with intimacy. But Gertrude's character is established in public, with other actors. She has yet to find the range. She lacks the necessary rapport both with Claudius and with the audience; without this rapport, Hamlet's appeals to her sound hollow.

The lighting by Ben Ormerod (who lit *Three Hotels* at the Tricycle Theatre so well) lacks contrast, the kinds of shadowy effects in Olivier's murky film version. The production should be pithier and even pacier by the time it reaches London in November.

■ *Richard II* at the Royal Exchange, Manchester (061-833 9833) until October 9 *Hamlet* at the Oxford Playhouse (0865 798600) until September 25. Then touring to Worthing, Whitley Bay, Buxton, Winchester, Dartford, and London (Donmar Warehouse)

Chess No 990: 1 Qf5 Qe7 2 Re1! and if Qxe1 3 Qxf7+ and 4 Qh5 mate, or 2 ... Qf8 3 Qxf7+ Qxf7 4 Rxe8+ wins a rook.

هكذا من الأصل

TELEVISION

SATURDAY

BBC1

7.00 Ceefax Pages. 7.25 News. 7.30 Working Together. 7.40 Felix the Cat. *7.55 McGee and Me.* 8.35 Peter Pan and the Pirates. 8.55 Marlene Marlowe Investigates. 9.15 Teenage Mutant Hero Turtles. 9.35 Rugrats. 10.00 Tom and Jerry's Greatest Hits. 10.27 Weather.

10.30 Grandstand. Including at 10.35 Golf: The Ryder Cup. Europe v USA. Live coverage of the second day's play. 12.20 Football Focus: Round-up of the latest action in the FA Premiership. 12.50 News. 12.55 Golf. 1.25 Racing from Ascot: The 1.30 Diadem Stakes. 1.35 Golf. 2.00 Racing: The 2.05 Fillies' Miles. 2.10 Golf. 2.35 Racing: The 2.40 Tote Festival Handicap. 2.45 Golf. 3.15 Racing: The 3.25 Queen Elizabeth II Stakes. 3.35 Golf. 3.55 Racing: The 4.00 Royal Lodge Stakes. 4.05 Golf. 4.40 Final Score. Times may vary.

5.05 News.

5.15 Weather.

5.20 Dad's Army. The hapless platoon makes arrangements to welcome the first contingent of US troops to Walmington-on-Sea.

5.50 Happy Families. Families from Bognor and Haslemere compete in a series of challenges.

6.35 Big Break. Snooker professionals Gary Wilkinson, Nigel Bond and Tony Drago help contestants from the West Midlands, Lancashire and Suffolk to win big prizes.

7.05 Challenge Anneka. The team is to produce a video in three days on the work of the National Children's Home charity.

8.00 Casualty. Terrible weather causes problems for the Holby city accident and emergency staff, with Dr Karen Goodliffe furious at having to wait an hour for an ambulance to arrive at the scene of an accident.

8.50 Harry. A day with a motorway police patrol turns into a nightmare for journalist Harry Salter when he and his photographer Snappy witness a *multiple car crash which leaves several* people dead or injured. With Michael Elphick, Barbara Marten and Tom Hollander.

9.40 The Best of Carrott Confidential.

10.20 News and Sport; Weather.

10.40 Match of the Day. Highlights from two FA Premiership matches, plus *goals and analysis from the rest of* the afternoon's fixtures.

11.45 Danny Baker After All.

12.35 Golf: The Ryder Cup. Europe v USA. Highlights of action from The Belfry.

1.15 Weather.

1.20 Close.

BBC2

6.40 Open University.

3.00 Film: Nobody Runs Forever. A British diplomat becomes involved in murder during a Cold War summit. With Christopher Plummer (1968).

4.40 Golf: The Ryder Cup. Europe v USA. Steve Rider introduces further coverage from day two of the biennial competition from The Belfry. Can the European side, which includes Nick Faldo, Seve Ballesteros and Ian Woosnam, overcome the talented American team, featuring Payne Stewart, Tom Kite and Fred Couples? Subsequent programmes may run late.

6.55 Maggie's Man. Kenneth Baker, who was at Margaret Thatcher's side during her last week as Prime Minister, assesses the events leading to her resignation. He is joined by former cabinet colleagues Lord Parkinson, Chris Patten, Malcolm Rifkind, William Waldegrave and Kenneth Clarke. Last in series.

7.45 News and Sport; Weather.

8.00 World Chess Championships. Peter Snow presents coverage of the two rival games from London and Holland.

8.30 D J Heaven. New series. Dave Lee Travis pays tribute to some of the music business' top DJs.

9.00 Me TV: The Future of Television. A critical look at Barry Diller's research into the technology which could bring more than 5,000 channels to our screens and allow the viewer to become an active programme participant. Diller's vision and its unlikely beginnings in his home shopping cable channel QVC, which goes on air on satellite in the UK next Friday, is investigated.

9.40 The Old Devils. First of playwright Andrew Davies' three-part dramatisation of Kingsley Amis's Booker Prize-winning novel. The peace and tranquility of a quiet South Wales village is disrupted by the return of an abrasive TV personality. With John Stride, James Grout, Sheila Allen and Anne Stallybrass.

10.35 Video Diaries. Photojournalist Chris Steele-Perkins' film report on the famine in Somalia, which exposes *the dramatic effect the media campaign* in the West has had on the country.

11.45 Film: The Servant. A manservant tries to turn the tables on his upper-class employer. With Dirk Bogarde and Wendy Craig (1963).

1.40 Close.

LWT

6.00 GMTV. 9.25 What's Up Doc? 11.30 The ITV Chart Show. 12.30 pm Opening Shot.

1.00 ITN News; Weather.

1.05 London Today; Weather.

1.10 Sail the World. The start of the Round-the-World Yacht Race from Portsmouth. Presented by Alison *Holloway and Gareth Evans.*

2.10 Movies, Games and Videos. Reviews of Sleepless in Seattle, starring Tom Hanks and Meg Ryan, and Harrison Ford in The Fugitive.

2.40 The A-Team.

3.35 WCW Worldwide Wrestling. Action with the grappling giants.

4.20 Cartoon Time.

4.40 ITN News and Results; Weather.

5.00 London Today and Sport; Weather.

5.15 Baywatch. Part two. Mitch and Stephanie fight for their lives against a dangerous fugitive. With David Hasselhoff and Alexandra Paul.

6.05 Gladiators. Rhian Pritchard from Solihull, Rowan Duxbury of Sidmouth, Cardiff's Glenn Webbe and Gary Towers from Milton Keynes take on the might of the champions. Presented by Ulrika Jonsson and John Fashanu, from the National Indoor Arena, Birmingham.

7.05 Blind Date.

8.05 Dame Edna's Neighbourhood Watch. The Australian superstar takes viewers on a guided tour of another hapless housewife's home.

8.35 ITN News; Weather.

8.45 London Weather.

8.50 The Bill. An apparently straightforward case of joyriding takes an unexpected twist.

9.20 Film: Magnum Force. Clint Eastwood, as maverick cop Harry Callahan, again antagonises his superiors when he sets out to find a vigilante group responsible for murdering some of the city's most wanted *gangsters. With Hal Holbrook, David* Soul, Mitchell Ryan and Robert Urich (1973).

11.25 Film: Nasty Hero. Action adventure, with Scott Feraco as a loner released from wrongful imprisonment who clashes violently with a gang of no-good rich kids (TVM 1987).

1.00 The Big E.

1.55 Get Stuffed; ITN News Headlines.

2.00 It's Bizarre.

2.45 Get Stuffed; ITN News Headlines.

2.50 New Music.

3.50 European 9 Ball Pool Masters.

4.50 BPM; Night Shift.

CHANNEL4

6.00 Early Morning. 9.45 The American Football Big Match. 11.00 Gazzetta Football Italia. 12.00 Sign On. 12.30 pm Halewijn.

12.50 Film: Intolerance. DW Griffith's silent epic, interweaving four stories about man's inhumanity to man. Starring Lillian Gish and Mae Marsh, with a score by Carl Davis (1916).

4.00 World Chess Championship. Coverage of the Nigel Short v Garry Kasparov match, as the ninth game in their marathon tournament gets under way.

5.05 Brookside; News Summary.

6.30 Shoot the Video. Chris Serle offers a step-by-step guide to making a documentary. Plus, advice on the art of filming an interview. Last in series.

7.00 The Kickhams. Brendan J Byrne's documentary on how the Northern Ireland village of Ardoyne's community spirit has survived the murder of more than 20 members of its football team since the start of the Troubles.

8.00 World Chess Championship. Carol Vorderman introduces highlights from the Nigel Short v Garry Kasparov match at the Savoy Theatre in London. Commentary by British *Grand Masters Raymond Keene,* Jonathan Speelman and Daniel King, and twice British Women's chess champion Cathy Forbes.

8.30 Film: The Thief of Baghdad. Premiere. Alexander Korda's Arabian Nights adventure, with Sabu in the title role of the light-fingered lad who *helps a deposed king regain his* throne. With Rex Ingram, Conrad Veidt and John Justin (1940).

10.30 Cinefile: Made in the USA. After the success of movies like The Player, Reservoir Dogs and My Own Private Idaho, directors Robert Altman, Quentin Tarantino, Gus Van Sant, David Lynch and Jim Jarmusch discuss the revival of interest in independent film-making in America. This documentary is a prelude to a season of independently produced films, beginning tomorrow night with Steven Soderberg's drama Sex, Lies and Videotape.

12.05 World Chess Championship.

12.20 Film: The Postman Always Rings Twice. A frustrated young wife draws a drifter into a plot to murder her husband. With Lana Turner, John Garfield and Cecil Kellaway (1946).

2.30 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA:
12.30 Movies, Games and Videos. 1.05 Anglia News. 2.10 The Son of Robin Hood. (1958) 3.45 The A-Team. 5.00 Anglia News and Sport 11.40 Fun with Dick and Jane. (1976)

BORDER:
12.30 Movies, Games and Videos. 1.05 Border News. 2.10 Nigel Mansell's IndyCar '93. 2.40 Chopper Squad. (TVM 1978) 4.00 Superstars of Wrestling. 5.00 Border News and Weather 5.10 Sports Results. 11.40 Fun with Dick and Jane. (1976)

CENTRAL:
12.30 America's Top 10. 1.05 Central News 2.10 Knight Rider. 3.05 The A-Team. 3.55 WCW Worldwide Wrestling. 5.00 Central News 5.05 The Central Match: Goals Extra. 11.40 Beverly Hills 90210.

CHANNEL:
12.30 Movies, Games and Videos. 1.05 Channel Diary. 2.10 Nigel Mansell's IndyCar '93. 2.40 Future Cop. (TVM 1976) 3.55 WCW Worldwide Wrestling. 5.00 Channel News. 5.05 Puffin's Pla(i)ce. 11.35 The Beast Must Die. (1974)

GRAMPIAN:
12.30 Cruinne-Ca. 1.05 Grampian Headlines 2.10 Telefios. 2.40 Calptean Planaid. 3.10 Calptean Zed Agus An Zee Zone. 3.45 Tomas Toiteach 'S A Charaidean. 3.50 WCW Worldwide Wrestling. 5.00 Grampian Headlines 5.05 Grampian News Review. 11.40 Fun with Dick and Jane. (1976)

GRANADA:
12.30 Movies, Games and Videos. 1.05 Granada News 2.10 Nigel Mansell's IndyCar '93. 2.40 Chopper Squad. (TVM 1978) 4.00 Superstars of Wrestling. 5.00 Granada News 5.05 Porky Pig. 11.40 Fun with Dick and Jane. (1976)

HTV:
12.30 Movies, Games and Videos. 1.05 HTV News. 2.10 Nigel Mansell's IndyCar '93. 2.40 Cartoon Time. 2.50 McCloud: The Gang That Stole Manhattan. (1974) 5.00 HTV News and Sport 11.40 Fun with Dick and Jane. (1976)

HTV Wales as HTV except:
8.45 HTV Weather.

MERIDIAN:
12.30 Movies, Games and Videos. 1.05 Meridian News. 2.10 *Nigel Mansell's IndyCar '93.* 2.40 Future Cop. (TVM 1976) 3.55 WCW Worldwide Wrestling. 5.00 Meridian News. 11.35 The Beast Must Die. (1974)

SCOTTISH:
12.30 Movies, Games and Videos. 1.05 Scotland Today. 2.10 Telefios. 2.40 Calptean Planaid. 3.10 Calptean Zed Agus an Zee Zone. 3.40 The A-Team. 5.00 Scotland Today 8.45 Scottish Weather. 11.35 First Reels.

ULSTER:
12.30 Blockbusters. 1.05 UTV Live Lunchtime News 1.10 Saturday Sport. 2.10 Nigel Mansell's IndyCar '93. 2.40 Movies, Games and Videos. 3.10 The A-Team. 3.55 WCW Worldwide Wrestling. 5.00 UTV Live News 5.05 Saturday Sport. 8.45 UTV Live News 11.40 Fun with Dick and Jane. (1976)

WESTCOUNTRY:
12.30 Movies, Games and Videos. 1.05 Westcountry Weekend Latest. 2.10 Nigel Mansell's IndyCar '93. 3.10 Sylvester. 3.25 Anybody Out There? 3.55 Superstars of Wrestling. 5.00 Westcountry Weekend Latest. 11.40 Fun with Dick and Jane. (1976)

YORKSHIRE:
12.30 Movies, Games and Videos. 1.05 Calendar News. 2.10 Desert Mice. (1959) 3.45 Highway to Heaven. 5.00 Calendar News. 11.35 City On Fire. (1979)

SUNDAY

BBC1

7.00 Ceefax Pages. 7.25 Animal World. 7.40 Pigeon Street. 7.55 Playdays. 8.15 Breakfast with Frost. 9.15 Morning Worship. 10.00 See Hear!

10.30 Film: A Canterbury Tale. Powell and Pressburger's odd, absorbing wartime tale about a young woman and two soldiers whose paths cross in a Kentish village where a man is terrorising girls. With Eric Portman and Sheila Sim (1944).

12.30 CountryFile. Rural, environmental and agricultural news.

12.55 Weather for the Week Ahead.

1.00 News.

1.03 On the Record. Current events analysed. With Shadow Chancellor Gordon Brown MP.

2.00 Portuguese Grand Prix. Live coverage.

3.45 EastEnders.

4.45 Cartoon Double Bill.

4.55 If the Worst Happens. What to do if a child has an epileptic fit.

5.05 Lifeline. An appeal on behalf of the *Who Cares Trust, which gives sup*port to children in care.

5.15 Nanny Knows Best. Advice to parents whose children have difficulty sleeping.

5.45 The Clothes Show. Heart-throbs Take That take a break from touring to talk about their choice of clothing.

6.10 News.

6.25 Songs of Praise. Alan Titchmarsh marks the Harvest Festival with a visit to a farming show in Somerset.

7.00 Keeping Up Appearances. Comedy, starring Patricia Routledge.

7.30 Lovejoy. A moneylender pressurises Lovejoy to repay an old loan. With Ian McShane.

8.20 Birds of a Feather. Sharon and Tracey are suspected of committing a spate of burglaries. Comedy, with Pauline Quirke and Linda Robson.

8.50 News and Weather.

9.05 Screen One: Royal Celebration. Drama set against the backdrop of Prince Charles and Lady Diana's wedding, as a celebratory street party hides explosive sexual tensions. *With Gaye Brown, Leslie* Phillips and Kenneth Cranham.

10.35 Heart of the Matter. Should the authorities grant a convicted child abuser's wish to be castrated to prevent him from re-offending?

11.10 Film: Sunday Too Far Away. Rural drama focusing on the conflicts between rival sheep shearers in the Australian outback. (1977).

12.40 Golf: The Ryder Cup. Europe v USA. Highlights of the final day's play from The Belfry.

1.20 Weather.

1.25 Close.

BBC2

6.15 Open University. 9.10 System 93. 9.35 Albert the Fifth Musketeer. 10.00 Jonny Briggs. 10.15 The Lowdown. 10.40 Grange Hill. 11.05 Growing Up Wild. 11.25 Futurecooks.

12.00 Golf: The Ryder Cup. Europe v USA. Steve Rider introduces live coverage of the third and final day's play from The Belfry. Commentary by Peter Alliss, Bruce Critchley, Alex Hay, Dave Marr, Clive Clark and Mike Hughesdon. Plus, news from *this afternoon's* Portuguese Grand Prix in Estoril.

6.00 Rugby Special. New series. Wasps v Newcastle Gosforth. Chris Rea introduces the action as the Wasps, last season's Courage Clubs Championship runners-up, take on northern newcomers Newcastle Gosforth. Fly-half Rob Andrew, anxious to regain his England place, will attempt to breach Gosforth's shaky defence. Plus, a comprehensive round-up of news and action from *around the country. Commentary by* Nigel Starmer-Smith.

7.00 The Money Programme. New series. Since the Maxwell pension fund scandal, the Government has come under intense pressure to protect subscribers' rights. As the Goode Committee, appointed to *review company pensions law,* prepares to present its recommendations to secretary of state Peter Lilley, Sam Jaffa gauges public reaction.

7.40 Nature by Design.

8.10 Hollywood UK. How the British cinema boom of the 1960s inspired a *host of overseas film-makers,* including Roman Polanski, Antonioni and Roger Corman, to use London locations.

9.10 Q Milligan. Highlights from Spike Milligan's 1970s comedy series.

9.40 Portuguese Grand Prix. Highlights of today's Grand Prix from Estoril.

10.15 Moviedrome. *Introducing tonight's* cult film. Last in series.

10.20 Film: Carrie. *A shy teenager uses* her psychic powers to exact a macabre revenge on classmates who taunt her. Early entry in high-school horror genre from writer Stephen King and director by Brian *de Palma. Starring Sissy Spacek* and John Travolta (1976).

11.55 World Chess Championship. The best of the day's moves in the latest Short v Kasparov game.

12.25 Film: The Masque of the Red Death. Starring Vincent Price (1964).

2.00 Close.

LWT

6.00 GMTV. 9.25 The Disney Club. 10.15 Link. 10.30 Sunday Morning. 12.30 pm Crosstalk; London Weather.

1.00 ITN News; Weather.

1.10 Walden. New series. Brian Walden interviews Labour MP Tony Blair.

2.00 Heidi.

2.30 The Sunday Match. Charlton v Crystal Palace from The Valley. Matthew Lorenzo and Ian St John present live coverage of the South London derby. Plus, highlights from Burden Park of Bolton Wanderers v Nottingham Forest, and Gabriel Clarke's round-up of goals from the Football League. Commentary by Brian Moore and Theo Foley, with reports from Jim Rosenthal.

5.00 Murder, She Wrote. Jessica suspects foul play when a number of guests fall ill after eating at a popular hotel.

6.00 London Tonight; Weather.

6.20 ITN News; Weather.

6.30 Cilla's Celebration. Cilla Black remembers the past 30 years of her showbusiness career in an evening of entertainment and music. The Liverpudlian singer, who was discovered by John Lennon while working as a cloakroom attendant at the Cavern, performs duets with Dusty Springfield, Cliff Richard and Barry Manilow. She is reunited with old friends including Ringo Starr and Gerry Marsden.

8.00 Film: Memphis Belle. Premiere of this drama set on B-52 bombers in the second world war. Matthew Modine, Harry Connick jr Eric Stoltz, Billy Zane model the brown leather jackets. (1990).

9.50 ITN News; Weather.

10.00 London Weather.

10.05 Hale and Pace. Skits and sketches, including a send-up of the classic gangster movie Angels with Dirty Faces.

10.35 Tarrant on TV Special. Chris Tarrant compares the latest American commercials with the subtler, but wacky European ads, and learns how to become a millionaire without leaving his armchair.

11.40 Cue the Music. Mike Mansfield introduces Gary Numan in concert.

12.45 War of the Worlds.

1.40 Get Stuffed; ITN News Headlines.

1.45 Derrick.

2.40 Pro-Box Classics.

3.40 Film: A Cold Night's Death. Psychological thriller about two scientists investigating mysterious occurrences at a remote research centre (TVM 1973).

5.00 Crusade in the Pacific.

CHANNEL4

6.00 Early Morning. 9.30 Dennis. 9.45 Flipper. 10.15 Owl TV. 10.45 Land of the Giants. 11.45 Little House on the Prairie.

12.45 Film: The Scarlet Pimpernel. Leslie Howard appears as the English dandy who rescues aristocrats from death during the French Revolution (1934).

2.30 Ragtime Bear. The first ever Mr Magoo cartoon.

2.45 Football Italia. News Summary.

5.00 World Chess Championship. Introduced by Carol Vorderman.

6.00 Opening Shot. The ambitions of three young black rappers from a Peckham housing estate who use *their* music to promote an anti-drugs message.

6.30 The Cosby Show.

7.00 Equinox. Equinox asks whether it will ever be feasible to clone dinosaurs from fragments of genetic material.

8.00 Classic Motorcycles. New series. *The history of motorbike design and* technology, beginning with a look at the social and cultural factors leading to the development of the earliest models. Narrated by Timothy Spall.

8.30 Screaming Reels. New series. Nick Fisher presents a guide to angling. This week's edition casts its net wide to include Kerry Richardson's visit to a maggot factory, and a guest interview with newsreader Fiona Armstrong, who talks about her favourite salmon fishing spots.

9.00 Visionaries. New series. Profiles of individuals who have realised their dreams, starting with French obstetrician *Dr Michel Odent, a pioneer of* the natural birth movement. Odent is also revealed as an exponent of radical ideas on economics in the health system.

10.00 Film: Sex, Lies and Videotape. Premiere. An impotent man who delights in recording interviews with women about their sexual experiences, has a profound effect on an old friend's troubled marriage. James Spader in this acclaimed drama, which won awards for both best film and best actor at the Cannes Film Festival. With Andie MacDowell, Peter Gallagher and Laura San Giacomo. Part of the *Made in the USA season (1989).*

11.55 Film: Agonia. Alexei Petrenko appears as the monk Rasputin in Elem Klimov's historical drama charting the final years of Russia's Tsarist regime (1975).(English subtitles).

2.30 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA:
12.30 Countrywide. 12.55 Anglia News. 2.00 Cartoon. 2.15 Guys and Dolls. (1955) 5.00 Bullseye. 5.30 Heirloom. 6.00 Anglia News on Sunday 11.25 The Way We Were.

BORDER:
12.30 Gardener's Diary. 12.55 Border News. 2.00 Conference Report '93. 2.30 The Biggest Bank Robbery. (1980) 4.30 Scotsport. 5.30 Go for Goal. 6.00 The Border Week. 6.15 Border News. 11.25 Love at First Sight.

CENTRAL:
12.30 Take 15. 12.45 Central Newsweek. 12.55 Central News 2.00 1st Night. 2.25 The Mountain Bike Show. 2.50 The Central Match – Live. 5.05 Bullseye. 5.35 Life Goes On. 6.15 Central News 10.00 Local Weather. 11.35 Harry Connick Jnr: Swingin' and Singin'.

CHANNEL:
12.30 Reflections. 12.35 Rendez-Vous Dimenche. 12.50 Telejornal. 2.00 Highway to Heaven. 3.00 Penny Princess. (1952) 4.45 Dinosaurs. 5.15 The $64,000 Question. 5.45 Champions. 6.15 Channel News. 11.35 Serve You Right.

GRAMPIAN:
12.30 Gardener's Diary. 12.55 Grampian Headlines. 2.00 *Conference Report '93.* 2.30 *Highway To Heaven.* 3.30 *Movies, Games and Videos.* 4.00 Nigel Mansell's IndyCar '93. 4.30 Scotsport. 5.30 The Business Game. 6.00 Country Ways. 6.15 Grampian Headlines 10.00 Grampian Weather. 11.35 First Reels.

GRANADA:
12.25 Close to the Edge. 12.55 Granada News 2.00 Granada Sport: Preview. 2.15 Granada Sport Action. 3.00 Granada Sport: The Match – Live. 5.15 Go for Goal. 5.45 Animal Country. 6.15 Granada News 10.35 Manchester Live. 11.05 Tarrant on TV Special.

SCOTTISH:
10.15 Wemyss Bay 902101. 11.00 Link. 11.15 Sunday Morning. 11.45 Sunday Service. 12.30 Eikon. 12.45 Appeal. 12.50 Country Ways. 12.55 Scotland Today. 2.00 Conference Report '93. 2.30 Young Guns of Texas. (1962) 4.00 The $64,000 *Question.* 4.30 *Scotsport.* 5.30 *The Business* Game. 6.00 The Box. 6.15 Scotland Today 10.00 Scottish Weather. 11.35 Sunday Morning.

TYNE TEES:
12.25 Tyne Tees News Review. 12.50 Tyne Tees Newsweek. 2.00 Life Goes On. 2.55 A Caribbean Mystery. (TVM 1983) 4.40 Cartoon. 4.50 Dinosaurs. 5.20 Mark My Words. 5.50 Tyne Tees Weekend. 10.00 Local Weather. 11.35 The Trials of Rosie O'Neill.

ULSTER:
12.30 Gardening Time. 12.55 UTV Live News 2.00 Bullseye. 2.30 Brand New Life. 3.25 Police Six. 3.35 Express to Terror. (1979) 5.15 Murder, She Wrote. 6.10 Witness. 6.15 UTV Live Evening News 10.00 UTV Live News 11.35 The Twilight Zone.

WESTCOUNTRY:
12.30 Westcountry Update. 12.55 Westcountry Weekend Latest. 2.00 Life Goes On. 3.00 Kavik, the *Wolf Dog. (1980) 4.45 Champions. 5.15 Highway to* Heaven. 6.15 Westcountry Weekend Latest. 11.35 Harry Connick Jnr: Swingin' and Singin'.

YORKSHIRE:
12.25 Newrang. 12.50 Calendar News. 2.00 Life Goes On. 2.55 A Caribbean Mystery. (TVM 1983) 4.40 Cartoon. 4.50 Dinosaurs. 5.20 Mark My Words. 5.50 Calendar News and Weather 10.00 Local Weather. 11.35 The Trials of Rosie O'Neill.

CHESS

GARY KASPAROV'S elegant victory on Tuesday hinted at a rout at the Savoy Theatre. Kasparov is now four games up on *Nigel Short,* and challenging the all-time best winning margin, eight points, in a world title match. He lured Short into a passive Ruy Lopez, then built up his attack with a crescendo of sacrifices (G Kasparov, White; N Short, Black; Ruy Lopez; 7th game.)

1 e4 e5 2 Nf3 Nc6 3 Bb5 a6 4 Ba4 Nf6 5 0-0 Be7 6 Re1 b5 7 Bb3 0-0?! Played for the third time in the match, but the resulting positions suit Kasparov.

8 a4 Bb7 9 d3 d6 10 Nbd2 Nd7 Na5 and c5 is simpler. 11 c3 Nc5 12 axb5 axb5 13 Rxa8 Bxa8 14 Bc2 Bf6 15 b4 Ne6 16 Nf1 Bb7 17 Ne3 g6 18 Bb3 Bg7 19 h4 White prepares to undermine the BK, and discourages f7-f5 counterplay.

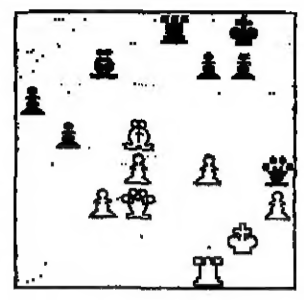
Bc8 20 h5 Kh8 21 Nd5 g5 This stops h6, but weakens f5, so Kasparov now homes in on the king. 22 Ne3 Nf4 23 g3 Nxh5 24 Nf5 Bxf5 25 exf5 Qd7 26 Bxg5 h6 Not Qxf5? 27 Bd5, but Nf6 is better.

27 Nh4 Nf6 28 Bxf6 Bxf6 29 Qh5 Kh7 30 Ng2 30 Kg2! Bxh4 31 Rh1 is still stronger. Ne7 31 Ne3 Ng8 32 d4 exd4 33 cxd4 Bxd4? This pawn is poisoned. Qe7 or Kg7 are better defences. 34 Ng4 Kg7 If Bf6 35 Qxh6+! 35 Nxh6! Bf6 If Nxh6 36 Qg5+ Kh7 37 f6 threatens Qg7 mate or Bc2+ 36 Bxf7! Resigns. If Rxf7 or Nxh6 37 Qg6+ mates, while *if Ne7 37 Re4.*

In Thursday's eighth game was one of the most exciting ever in a world championship. Short sacrificed several pieces, missed yet another win and drew bt perpetual check.

What should Short do now? Switch to the French Defence 1 e4 e6, I think, and hire Vishy Anand as an aide.

No 990



G Kamsky v E Bareev, Linares 1993. White (to move) looks worse, but drew after 1 Qf5 Qe7 2 Rf3 Rd8 3 Bb3 Rd6. Can you find the forced win they missed during this sequence?

Solution Page XXII

Leonard Barden

BRIDGE

Today's hand comes from match-pointed pairs – let us study It pays to insure:

	N	
	♠ J 5 3	
	♥ A 7 4 3	
	♦ 10 9	
	♣ A J 10 8	
W		E
♠ K Q 10 9		♠ 8 7 6 4
♥ 8 6 2		♥ 10
♦ A Q 8		♦ J 6 3 2
♣ 7 5 4		♣ K 6 3 2
	S	
	♠ A 2	
	♥ K Q J 9 5	
	♦ K 7 5 4	
	♣ Q 9	

With East-West vulnerable East dealt. South began the bidding with one heart. North gave a single raise. South made a trial bid of three clubs. Encouraged North jumped to four hearts to end the bidding.

West's lead of the spade king was taken by the ace. Declarer drew trumps with king, ace and queen, East discarding two spades. Now the queen of clubs was finessed, losing to the king. East's return of the diamond two allowed his partner to make queen and ace. Then the spade queen defeated the contract.

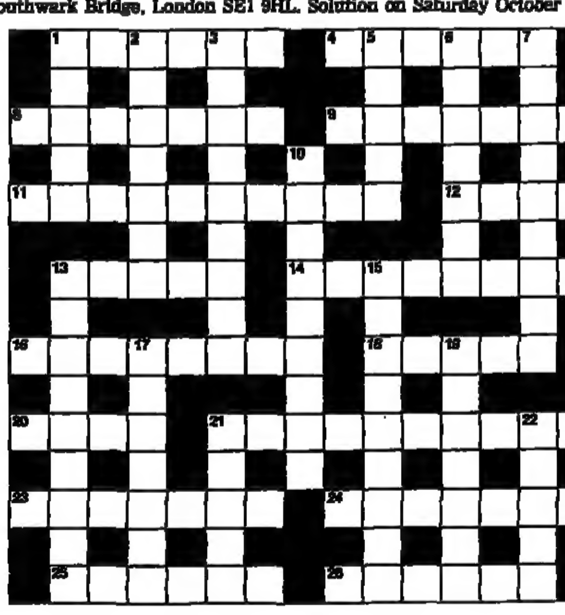
The same indifferent play occurred at several tables. Let us replay the hand and see how safety play – yes, even in a pairs contest – is essential. East must not be allowed the lead prematurely. After taking the spade lead, cash the heart king and queen, East showing out on the second round. Lead our two of spades, taken by the queen and West switches to a club. Win with the ace in dummy, discard our queen on the knave of spades and cash the heart ace, East throwing the spade nine. Lead the club eight, East produces the king, and ruff, cross to the seven of hearts and cash the two good clubs for contract. An opening lead of a club does not defeat the contract. South finesses, the king wins and West scores two diamonds, but never makes a spade.

E P C Cotter

CROSSWORD

No. 8,263 Set by CINEPHILE

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday October 6, marked Crossword 8,263 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday October 9.



Name..

Address..

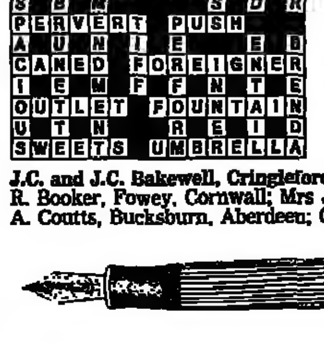
ACROSS

1 Angel transported into E sharp (6)
4 Angel girl embraced by youth (6)
8 Wind instrument causes a little drop in a game (7)
9 Wind instrument suggests how to deal with an ace (7)
11 European left upper-class guest almost at end of queue (10)
12 Survey circle of prohibition (4)
13 Dramatist left in regrettable ball (5)
14 Old coin to give utterance around high ground (8)
16 Old coin appearing in David (8)
18 Depression into which waste may be put (5)
20 Whereabouts of the share allocation (4)
21 *I'm in a way to be balanced,* yet I called out (10)
23 Sport suspended without money (7)
24 Sport finding bone in diagram (7)
25 Girl who could be a fly (6)
26 Girl who could be a horse (6)

DOWN

1 Log is rewritten in Irish port (5)
2 Little citizen in genuine musical performance (7)
3 Colour, possibly, on boundary to village centre (4,5)
5 A large number to save, we hear (5)
6 Theft while changing house? (7)
7 Postnatal secretion, the sort that are left in the wound (9)
10 The harvest of the shore: Spooner's girl is vendor (9)
13 Collection for spinning top? (4-5)
15 At home having party with crockery in South-East Asia (9)
17 Ghost of an elephant, ominously enough (7)
19 *Fitted up with opponent* or partner: if the latter, companionship is included (7)
21 Movement in plenty after a bun (5)
22 Bernstein fashionable? He's much less so these days (5)

Solution 8,262



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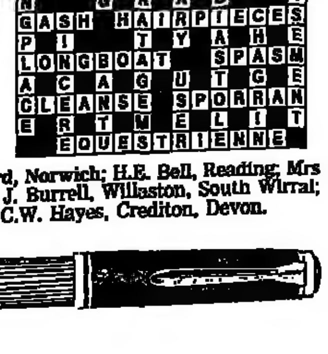

J.C. and J.C. Bakewell, Cringleford, Norwich; H.E. Bell, Reading; Mrs R. Booker, Fowey, Cornwall; Mrs J. Burrell, Willaston, South Wirral; A. Coutts, Bucksburn, Aberdeen; C.W. Hayes, Crediton, Devon.

RADIO

SATURDAY

BBC RADIO 2

6.00 Barbara Sturgeon.
8.05 Brian Matthew.
10.00 Sarah Kennedy.
12.00 Hayes on Saturday.
1.30 The New Huddlines.
2.00 Ronnie Hilton.
3.00 Steve Race.
4.00 Ray Charles.
5.00 Cinema 2.
5.30 Nick Barraclough.
6.00 Bob Holness Requests the Pleasure.
7.00 Salutations.
7.30 Opera In Concert.
9.30 David Jacobs.
10.20 The Arts Programme.
12.05 Ronnie Hilton.
1.00 Adrian Finighan.
4.00 Barbara Sturgeon.

BBC RADIO 3

6.35 Open University: Arts Foundation Course, Revision.
6.55 Weather.
7.00 Record Review. Haydn, Lyapunov, Martinu, Poulenc, Campion, Brahms, MacMillan, Nyman, Monk, Britten.
12.00 Spirit of the Age. Pioneers of Baroque music.
1.00 News.
1.05 Replay. From the archives with Norman Collins.
1.25 Tribute to Henry Holst. Nielsen, Bach, Walton, Grieg.
3.00 Vintage Years. Kabalevsky, Stravinsky, Rachmaninov, Rimsky-Korsakov.
5.00 Jazz Record Requests.
5.45 Janacek and Tchaikovsky.
7.10 *I Due Foscari.* Verdi's sixth opera.
9.55 Hero and Leander. Samuel West reads Christopher Marlowe's erotic poem.
10.40 Bartok.
11.00 Impressions. New series. The latest jazz CDs and books.
12.30 News.
12.35 Close.

BBC RADIO 4

6.00 News.
6.10 The Farming Week.
6.50 Prayer for the Day.
7.00 Today. With John Humphrys and Peter Hobday.
9.00 News.
9.05 Sport on 4.
9.30 Breakaway.
10.00 Loose Ends.
11.00 Liberal Democrats Conference Special.
11.30 From Our Own Correspondent.
12.00 Money Box. Personal finance.
12.25 The News Quiz.
1.00 News.
1.10 Any Questions?
2.00 Any Answers? 071-580 4444.
2.30 Playhouse: A Bit of Berlin. By Howard Wakeling.
3.45 They Don't Still Make That, Do They? Gas lighting.
4.00 What If? Debate on drug use in the 1960s.
4.30 Science Friction.
5.15 Personal Obsessions.
5.25 Fourth Column. With Simon Hoggart.
6.00 News and Sports
6.25 Week Ending.
6.50 Ad Lib. A retirement home for veteran performers.
7.20 Kaleidoscope. A profile of sci-fi writer William Gibson.
7.50 Saturday Night Theatre: *One Day at a Time. By Anne Clemence Mews.*
9.05 Music in Mind.
9.50 Ten to Ten. A reading, a hymn and a reflection.
10.00 News.
10.15 The Coin Operated Programme.
10.45 The World of Anthony Trollope.
11.00 Richard Baker Compares Notes. With composer Thomas Pitfield.
11.30 Boogie Up the River. By Mark Wallington.
12.00 News.
12.33 Shipping Forecast.
12.43 (FM) Close.
12.43 (LW) As World Service.

BBC RADIO 5

6.00 World Service.
6.30 Weekend Edition.
9.30 Get Set.
10.30 Superman.
11.00 Sport on Five.
6.05 Six-O-Six.
7.30 Afropop Worldwide.
8.30 Le Top.
9.30 Nightbeat.
10.00 Sports Bulletin.
10.15 The Way Out.

WORLD SERVICE

BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m) at these times GMT:
6.00 News. 6.30 Europe Today. 7.00 News About Britain; The World Today. 7.30 Meridian. 8.00 Newsdesk. 8.30 People and Politics. *9.00 News;* Words of Faith; A Jolly Good Show. 10.00 News; Business Report; Worldbrief. 10.30 Personal View. 10.45 Sports. 11.00 News Summary; Jazz Now And Then; Letter From America. 11.30 BBC English. 11.45 Mittagsmagazin: News in German. *12.00 Newsdesk.* 12.30 Meridian. 1.00 News; Words of Faith; Multitrack Three. 1.45 Sports. 2.00 Newshour. 3.00 News; Sportsworld. 4.00 News; BBC English. 4.30 Heute Aktuell: News in German. 5.00 News About Britain; Sportsworld. 6.00 BBC English. 6.30 Heute Aktuell; News in German. 7.05 German Features. 8.00 News; Lighten Our Darkness. 8.45 From The Weeklies. 9.00 News; Words of Faith; Personal View; Meridian. 10.00 Newshour. 11.00 News About Britain; Jazz For The Asking. 11.45 Sports. 12.00 News; Words of Faith; Book Choice; A Jolly Good Show. 1.00 Newsdesk. 1.30 Play of the Week: The Real Thing. 3.00 Newsdesk. 3.30 From Hoplite To Harrier. 4.00 News About Britain; Sports. 4.30 From Our Own Correspondent. 4.50 Write On.

SUNDAY

BBC RADIO 2

7.00 Don Maclean. 9.05 John Sachs. 10.30 Hayes on Sunday. 12.00 Desmond Carrington. 2.00 Benny Green. 3.00 Alan Dell. 4.00 While There's a Song to Sing. 4.30 Sing Something Simple. 5.00 Charlie Chester. 7.00 Richard Baker. 8.30 Sunday Half Hour. 9.00 Alan Keith. 10.00 The Arts Programme. 12.05 Adrian Finighan. 3.00 Alex Lester.

BBC RADIO 3

6.35 Open University: Education
6.55 Weather.
7.00 Sacred and Profane. New series. Britten, Bach, Mozart, Mendelssohn.
9.00 Brian Kay's Sunday Morning.
12.15 Alain: Father and Son.
1.00 News.
1.05 The Sunday Concert. Vaughan Williams, Rachmaninov and Berlioz.
2.55 Emerson Quartet. Mendelssohn, Haydn, Bartok.
4.25 Brahms.
5.45 Making Waves. New series. Sir Peter Hall's autobiography.
6.30 Concerto Palatino. Schutz, Giovanni Gabrieli, Schutz, Picchi, Scheidt.
7.30 Tamburlaine the Great. Christopher Marlowe's epic verse.
11.10 Music in Our Time. HK Gruber, Kurt Schwertsik, Christian Ofenbauer.
12.30 News.
12.35 Close.

BBC RADIO 4

6.00 News.
6.10 Prelude.
6.30 Morning Has Broken.
7.00 News.
7.10 Sunday Papers.
7.15 The Living World.
7.40 Religious news and views.
8.50 Rabbi Lionel Blue.
9.00 News.
9.10 Sunday Papers.
9.15 Letter from America.
9.30 Service at St Mary and All Saints' Church, Checkley.
10.15 The Archers.
11.15 News Stand.
11.30 *Pick of the Week.* With Edwina Curry.
12.15 Desert Island Discs. Sue *Lawley talks to Lord Palumbo.*
1.00 The World This Weekend.
2.00 Gardeners' Question Time.
2.30 Classical Serial: The Small House at Allington. Part two.
3.30 Tolstoy – At War and Peace.
4.00 One Foot in the Grave, or A New Lease of Life.
4.47 Golden Oldies.
5.00 Way Out West. Hank Wangford explores Connemara.
5.30 Poetry Please! The readers are Polly Hemingway and Russel Dixon.
6.00 News.
6.15 Feedback. With Sue Summers.
6.30 New Europeans. Prague.
7.00 In Business. The practice of benchmarking.
7.30 A Good Read. Three paperbacks chosen by Matthew Sweeney and Jo Shapcott.
8.00 Rites of Passage. The *Chinese community of* Manchester.
8.30 Opinion. Business regulation changes.
9.00 The Natural History Programme.
9.30 Special Assignment.
10.00 News.
10.15 Science *Friction.* The value in real terms of billion-dollar science projects.
11.00 Out of Order. Political knowledge test.
11.30 Seeds of Faith. Andrew Green meets Cecil Lewis.
11.45 Before the Ending of the Day.
12.00 News.
12.33 Shipping Forecast.
12.43 (FM) Close.
12.43 (LW) As World Service.

BBC RADIO 5

6.00 World Service.
6.30 Mark Curry's Weekend Edition.
9.30 Tuth in Dark Places.
10.00 Johnnie Walker.
11.30 The Ryder Cup.
6.30 Click, Click, Click, Burr.
7.00 Sports Bulletin.
7.20 Open University.
10.10 Across the Line.
12.00 Close.

WORLD SERVICE

BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m) at these times GMT:
6.00 German Sunday Feature. 6.30 Composer Of The Month: *Anton Bruckner. 7.00 News;* News About Britain; Letter From America. 7.30 Jazz For The Asking. 8.00 News. 8.30 From Our Own Correspondent; Write On. 9.00 News; Words of Faith; Ray On Record. 10.00 News; *Business Review.* 10.15 Short Story: Speaking of Bunty. *10.30 Folk Routes.* 10.45 Sports. 11.00 News; Science in Action. 11.30 In Praise Of God. 12.00 Newsdesk. 12.30 BBC English. 12.45 News and Press Review in German. 1.00 Play of the Week: The Real Thing. 2.00 Newshour. 3.00 News; Water. 3.30 Anything Goes. 4.00 *News; Sportsworld. 5.00 News* About Britain. 5.30 News in German. 6.00 News; Business Review. 7.00 News. 7.30 News in German. 9.00 News; Words of Faith; Folk Routes. 9.30 Europe Today. 10.00 Newshour. 11.00 News About Britain; Meridian. 11.45 Sports. 12.00 News; *Business Review;* Ray On Record. 1.00 News. 1.30 In Praise Of God. 2.00 Lighten Our Darkness. 2.45 The Cello On Record. 3.00 News. 3.30 Composer Of The Month: Anton Bruckner. 4.00 News; News About Britain; Sports. 4.30 Anything Goes.

Private View/**Christian Tyler**

Fairytales that frightened Tinseltown

***Armistead Maupin's** novels about life in San Francisco were a huge success, but no US producer dared film them. He explains why*

Tony Andrews

THERE WAS a young mother in the bookshop, pushing a baby-buggy. "I've read all six of them," she said. "Twice." She wiped the baby's nose. "And I'm going to start them again."

She is one of the million readers of Armistead Maupin, the genial chronicler of bohemian San Francisco whose first volume, *Tales of the City*, will be serialised on British television from next week.

And here is the paradox: no American media mogul dared to make or even co-finance a TV adaptation of the stories, even though they were written in the mid-1970s for a family newspaper. What viewers will see, therefore, is a British production, with American actors, of Maupin's gentle perversion of the American Dream.

Why? Because, says the author, Hollywood is incapable of portraying sex or drugs or homosexuals except in the most lurid way. "The studios tried to cannibalise my exotic storylines but not remain faithful to the spirit of the books." One executive wanted the homosexual characters "reduced to campy walk-ons". Another suggested that the gay gynaecologist should be translated into a serial killer.

Hollywood, Maupin said, lives in fear of "narrow-minded fundamentalists who don't want to see homosexuals depicted as average human beings", yet his own postbag showed that the housewives of Iowa – or indeed suburban London – are a lot more sophisticated.

He is probably right. But as a spokesman for gay rights, he is being perhaps a little disingenuous. The culture of American television – unlike that of Britain – has always been primarily commercial. A sympathetic screen treatment of Maupin's *fairytale*, precisely because it is oh-so-innocent, easily invites the commercially damaging charge of condoning vice.

Maupin's message is "Be Yourself" and his methods are observation, wit and the sparest, neatest prose. What Damon Runyon did for the New York underworld he has done for the West Coast sub-culture.

You accuse Hollywood of distorting real life, I said, but the same could be said of *Tales of the City* – that it is a sterilised account.

"I don't think I have sanitised any aspect of gay life to the degree that it's unrecognisable," he replied. "I think the real threat of the book is that it's an affectionate look at all sorts of sexualities."

What about the bath houses, the sado-masochism, the gross promiscuity behind your cheerful picture?

"I have characters who go to the bath houses, yes, and I myself went to the bath houses. I did not see them as a dark and frightening. It's very hard to say that today and have anyone understand it. But I saw them as places of great joy and camaraderie. I wasn't into any kind of heavy S and M scene. I was able to be matter of fact because I knew that a lot of very average and nice people went there. They were like men's clubs, with sex."

He agreed that *Tales of the City*, written before the Aids earthquake, might look quaint today. (Later books in the sequence confront the epidemic). I asked: aren't you concerned that it is so out-of-date?

"No, I'm very happy that I recorded a moment in history that was a very true and pure time, and I'm happy to go on record as saying that I'm ashamed of nothing that I did at that time and very grateful that I landed in San Francisco when I did. Because it turned my life around."

I said I was hoping to interview Maupin the writer, not just Maupin the homosexual. He said he was grateful. "I'm bored of discussing it as if I'm some sort of ape in a zoo. Sometimes I just want to say: 'Get *over* it. There are homosexuals in the world. It's not that sensational a subject after all, is it?'."

But it proved difficult to get over it. In a sense the subject made the writer; it is the refrain that sustains his big theme, that Being Different Is Normal. Even the midget actress who is the heroine of his latest novel, *Maybe the Moon*, can be construed allegorically as a proxy victim of "homophobia".

Being homosexual was, Maupin said, "the luckiest thing that happened to me. It gave me material that had not been tapped and it forced me to re-examine the rules of my life. In doing so I liberated myself, not only sexually, but in terms of taking control of my own destiny."

The eldest of three children, he had been taught from the age of eight to aspire to his father's law practice in Raleigh, North Carolina. The family was descended from Huguenots, belonged to the white aristocracy and boasted a Confederate general among its forebears. His English grandmother seems to have understood him: she told him the best figure he could cut in the world was as himself. He commemorates her tolerance in the character of Anna Madrigal, the landlady of Barbary Lane around whom his plot is spun.

Armistead Jones Maupin Jnr. went to the naval officers candidate school in Charleston, South Carolina, after leaving university. To fill in time, he worked for the local TV station, then managed by the arch-conservative Senator Jesse Helms. In Charleston, aged 25, he first went to bed with a man.

After a Mediterranean posting he volunteered for Vietnam. "In some twisted way I was trying to prove my manhood and the quickest way I could think of was to go to war."

Proving it to whom?

"My father. His attitude was that the world thoughtfully provides a war for every generation, and Vietnam was my war." He was appointed naval liaison officer at an army base. "I didn't kill anyone. I wasn't in direct combat but there was fighting all around. It wasn't a gruelling, traumatic experience. It was mostly living in a small village and being the communications officer."

Did it make a man of you? The irony was only half intended.

He laughed. "No, I'm glad to say. It made a more interesting man of me. I enjoyed the experience of seeing that part of the world and other Americans not of my class. I was a good officer. I was decorated: the Navy Commendation Medal. Nothing heroic, just a pat on the back for a job well done."

Afterwards he returned to Vietnam as a volunteer to build houses for war veterans in the village of Cat Lai. Back in Charleston, Maupin felt stifled. He headed to San Francisco as a reporter for the Associated Press. He was, he said, "a lousy reporter. I was always tinkering with the facts in an effort to make the story better."

He lost the job, worked as a letter-writer for an Episcopal minister, sold silk in a shop on Union Street, and freelanced. Then he persuaded the *San Francisco Chronicle* to employ him to write fiction.

"I trimmed the fat off my prose very fast, and learned the techniques of suspense. I was forced to write 800 words a day; I told myself, it's going to be on the bottom of someone's birdcage tomorrow so this doesn't have to be Balzac."

A life of gay abandon ended when Aids struck San Francisco. In any case, Maupin was settling down. "My grandmother said don't you dare get married until you are 30."

What age did you get married?

"Far too late. Forty".

That was nine years ago. The man he settled down with, Terry Anderson, was HIV-positive and last year suffered his first opportunistic infection, the sign of full-blown Aids.

I asked if life was black. "No. Even knowing that Terry has Aids we still agree that it's the happiest time of our lives because we're very much in love with each other, and we feel more that way every day."

He will die, I said. What will that do to you?

"It'll be hard. As much as I empathise and feel for his situation I sometimes remind myself he'll have me but I won't always have him." Partly in anticipation of this impending personal calamity Maupin's next novel will be much more autobiographical.

I asked if his purpose was to "normalise" homosexuality

"No, it's broader than that. My work is about finding the core of common humanity in all of us. And I love to push to the limits. I love to take the most extreme examples of humankind and show them to be every bit as real as the reader."

But is normalisation at the bottom of it?

"I suppose, yes. Call it 'humanisation'. I feel perfectly normal. It's all about self realisation. It has to do with finding out exactly who you are and presenting that person to the world as honestly and joyfully as you can. And I think I am a marvellous example of how well that can pay off for you."

So the message is "Come out in Charleston", is it?

"Coming out in Charleston is the message. I didn't do it in Charleston. I had to move to San Francisco to do it.

"But you can't just stay in San Francisco. Terry and I have to walk down the street in every city in the world and then we have to be certain about who we are. No matter where you go, there's always going to be someone asking about your wife and kiddies, and you're going to have to decide whether or not to lie about yourself.

"I don't think this just applies to gay people. A lot of straight people make themselves miserable by keeping secrets that eventually poison them. Secrets invariably imply a kind of shame about oneself, and that shame can destroy you.

"You really are only as sick as you are secret – and that applies to everyone."

Major found alive in far East

*Even if he seems grey in public, there is plenty of vigour in private, says **Kevin Brown***

SOMETHING IS wrong here. John Major is a weak leader who is incapable of offering the leadership that Britain so badly needs. I know this because I read the Tory tabloids, whose antipathy to the Prime Minister varies only in degree. But I have just spent six days following Major on a 17,500 mile trip to Japan, Malaysia and Monaco. I got back feeling like a piece of used Sellotape. Major looked like a man without a care in the world. What is wrong with him? Doesn't he know he is in the middle of a leadership crisis?

It was, admittedly, a successful trip. Major struck up a good relationship with Morihiro Hosokawa, the new Japanese Prime Minister, and tied up £1bn of business for British companies in Malaysia. And his prompt support of president Yeltsin during this week's dramatic events in Moscow showed him in a far more decisive light than poor dilatory Bill Clinton, who was still "examining" the situation while Major was "acting".

But none of that really matters much, does it? Major's problem is that much of the tabloid press, the institution which did so much to help him win the 1992 election, has decided that he has to go. It is not clear why. He is a bit grey; someone has to carry the can for the recession; he is not Margaret Thatcher.

In itself, the media campaign is not enough to dislodge the prime minister. But it guarantees almost unlimited publicity to the right-wing backbenchers whose vitriol poured every day into journalists' notebooks.

During the first four days of Major's overseas trip, the campaign was unrelenting. Comments made in London were relayed to his accompanying party of political journalists, who then demanded a response. Parts of the exchanges were seen by millions on Monday when most television news bulletins showed a clip of the Prime Minister's press conference in Tokyo.

The impression given is that the Prime Minister is being hounded by tabloid journalists. He is not. Access to him is too infrequent and too closely controlled by aides for that. This is why Major is so closely questioned on the rare occasions when he does appear. But the conventions of parliamentary language have not entirely broken down. The questions may be awkward or embarrassing (sometimes to both parties), but they are always courteous. Even Gordon Greig, political editor of the rabidly anti-Major *Daily Mail*, has done nothing more than politely seek the prime minister's views.

Major does not seem to mind much. Some of his party were very angry about the way the leadership issue dominated media coverage of his trip. Gus O'Donnell, the Prime Minister's normally equable press secretary, went so far as to call John Sergeant, a BBC reporter, a "jerk" for raising it in Tokyo. Major kept his temper, and even made a few jokes to his Japanese hosts about the "irrepressible" British press. Later, he appeared for a chat in the journalists' quarters in the back of the Prime Ministerial plane. It was not, colleagues tell me, a patch on his courting of the press in the first year after he replaced Margaret Thatcher. Then, they sometimes had to ask him to leave so they could eat. But what of that? I would not spend much time with them either, if it was me they were writing off every day.

Nevertheless, a prime minister in this position faces an interesting question which Major seems uncerain how to answer. Should he "hit out" at the rebels, or pretend they do not exist?

He moved into the attack early in his visit to Tokyo, when he warned the rebels publicly to stop the "stupid internecine squabbling".

Privately, his strategy has been to belittle the rebels, casting doubt on their judgment. Perhaps because he was frustrated by his inability to get this message across through his officials, Major delivered it in person to a group of journalists at a barbecue in the British embassy garden in Tokyo.

His remarks were supposed to be off the record, but they were attributed to him by one newspaper, and hinted at by others – a breach of convention which would have been inconceivable if the prime minister were not perceived to be in deep trouble.

Later, it emerged that one of the journalists travelling with the prime minister is in possession of a tape recording of a private conversation in which Major refers to his critics as "barmy." The recording was made accidentally; like the barbecue comments, it would probably have remained private but for the smell of blood in the air.

This bending of the rules is more serious for Major than it may seem. Unattributable conversations with journalists are one of the principal means by which ministers communicate their views. If the prime minister can no longer make his views plain without being identified as the source – though his critics often remain anonymous – he will have lost a powerful weapon.

No wonder that he is angry and frustrated. Even if he seems grey in public, there is plenty of vigour in his language in private. For example he said of one of his most voluble critics: "Every time I hear his name I hear the flapping of white coats."

If the tabloids are right, there ought to have been a palpable atmosphere of crisis surrounding the trip. There wasn't. Major knows he has to exert his authority, but he seems to think that all that is required is a bit of plain speaking and a more engaging style.

Who is to say he is wrong. The tabloids are not all powerful. Most of his critics are an unimpressive bunch. But the grey image will die hard. Touring a car plant in Malaysia, Major looked at green cars, red cars, white cars and blue cars. When it was time to pose for photographs, he sat in a grey one.

One winner, lots of losers

NIGEL SHORT is trailing by a dismal 2-6 margin, and he has overlooked yet another win in his growing catalogue of missed opportunities. The British challenger's long-standing guru and chief coach has returned home to the US; yet this has been a good week for Short, the breakaway Professional Chess Association and *The Times* world championship at London's Savoy Theatre.

The games have been full of interest, sacrifices and complex tactics, as both Gary Kasparov and Short pushed hard for victories with the favourable white pieces. Audience numbers have held up well.

Meanwhile at the rival Fide world championship in Amsterdam, where Anatoly Karpov leads Jan Timman 6½-4½, the players were so upset at the news that Oman has backed away from its commitment to provide a £900,000 prize fund for the second half of the match, that they agreed an 11-move draw.

The Oman bid always sounded odd. The official version was that it was sparked by satellite photographs which showed eighth century chess sets and boards, the earliest known, in the desert at the junction of two camel routes. Later Timman heard that, besides himself and Karpov, only the royal family would be allowed into the playing hall.

The match is due to transfer from the Netherlands next week, and the Fide president, Florencio Campomanes, is reported to be trying to patch up contingency plans for the series to switch to Hungary. Amsterdam city council have made a late donation of £65,000.

Doing better: Nigel Short

The biter is certainly bit. When the original Fide bidding favoured Manchester, Campomanes said that other UK offers were invalidated by lack of bank guarantees, and that Fide had found by experience that non-guaranteed bids were unreliable. Kasparov later commented that *The Times's* £1.7m prize fund would demonstrate which was the real world championship, so when Fide claimed a £1.8m purse it was a moment for Campo to savour.

But the evaporation of promised Dutch and Omani money is a huge embarrassment to Fide. And Fide's own finances often rely on a 25 per cent contribution from world championship prize funds.

The other talking-point at the Savoy was the abrupt departure of Short's guru Lubosh Kavalek, who was widely credited with toughening up Short into a resilient match player. Short's manager, Michael Stean, said that Kavalek had returned home for family reasons, but Kavalek himself indicated that he had been dismissed and said "I had intended to stay for the whole match. I think I prepared Nigel quite well."

Kasparov's has three experienced ex-Soviet GMs while Short's remaining team of analysts comprises the German No 1 Robert Huebner. Jon Speelman, the UK No 4 who is helping part time between television assignments, and Stean, whose active career stopped 10 years ago. There are no plans to add to the group, even though the match organisers were willing to consider flying in world no 3 Vishy Anand of India, a friend of Short's.

Some observers believe that Kavalek and Speelman wanted to start the match cautiously, to compensate for Short's lack of title experience; but others in the camp preferred the gambits and open play which have entertained fans but conceded points to Kasparov. There is also disappointment among the many young English GMs and IMs who are keen students of chess theory that Short did not enlist their help.

For these players, the ideas centre of the match is the grandmasters room at Simpsons-in-the-Strand, where Michael Adams, Tony Miles, Speelman and others hold court. On Thursday they predicted almost every move, and Adams found a subtle win which Short missed.

Leonard Barden

Moves, Page XXIII

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